LPP EQUITY STORY

GLOBAL ASPIRATIONS

APRIL 2018

LPP



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LPP

01. Overview

02. Investment case

03. Back-up

The largest clothing retailer on WSE

1,743
STORES

20
COUNTRIES

PLN 7bn
REVENUES

PLN 16.5bn
MARKET CAPITALISATION

69%
FREE FLOAT

MSCI POLAND
WIG 20 MEMBER

Data as of 31.12.2017

A diversified brand portfolio ...











...with varied store concepts



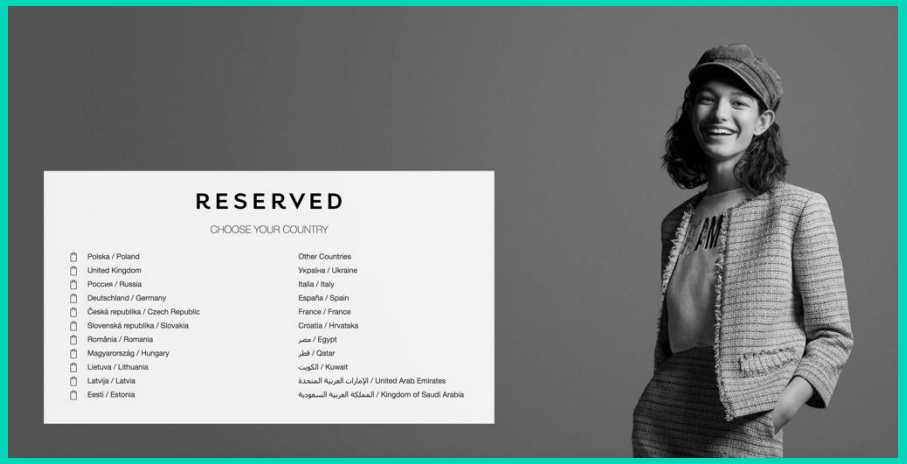








2 growth pillars: stores and e-commerce











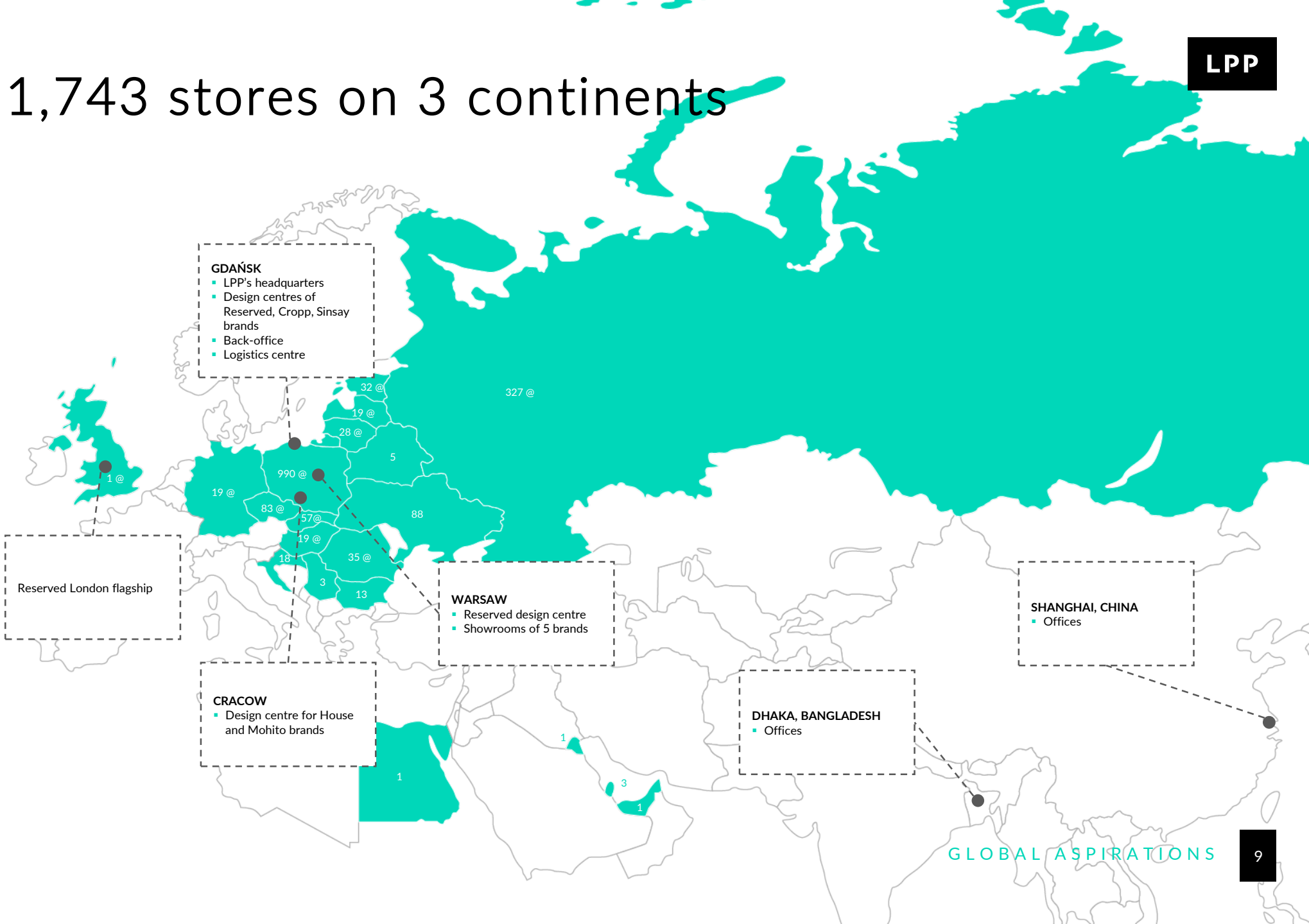
20
countries off-line

11
countries on-line

2
pillars of growth

31.12.2017	No. of stores	YoY
LPP GROUP	**1,743**	**+ 40**
Reserved	468	+ 7
Cropp	381	+ 2
House	333	+ 3
Mohito	294	+ 4
Sinsay	233	+ 35
Tallinder	0	- 9
Outlets	34	- 2

1,743 stores on 3 continents



A lean retail oriented business model

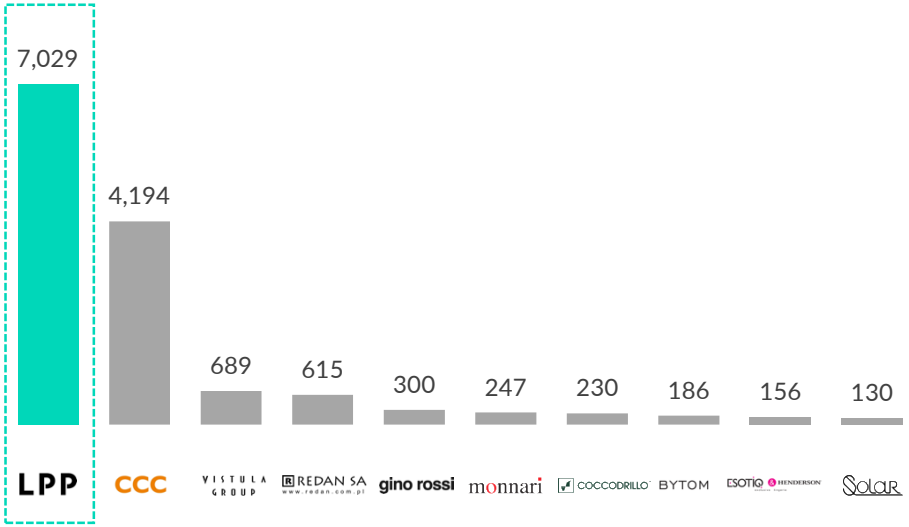
Design	Production	Logistics	Stores	Customers
250+ designers **700+** total number of people creating collections of 5 brands	**90%** goods sourced from Asia **1,000+** suppliers	capacity to send up to **1.5m** products daily to stores the largest and most modern clothing logistics centre in CEE	**1,743** stores **20** countries **3 continents** Europe, Asia, Africa	**689m** customers annually **170m** pieces of clothing and accessories sold

Duration of the production cycle varies depending on the model, size of the order and country of production. Our models reflect the latest trends (the so-called must-haves) and are manufactured as quickly as 30 days. The rest of the collection is manufactured in approx. 90-100 days.

Eyeing the international giants

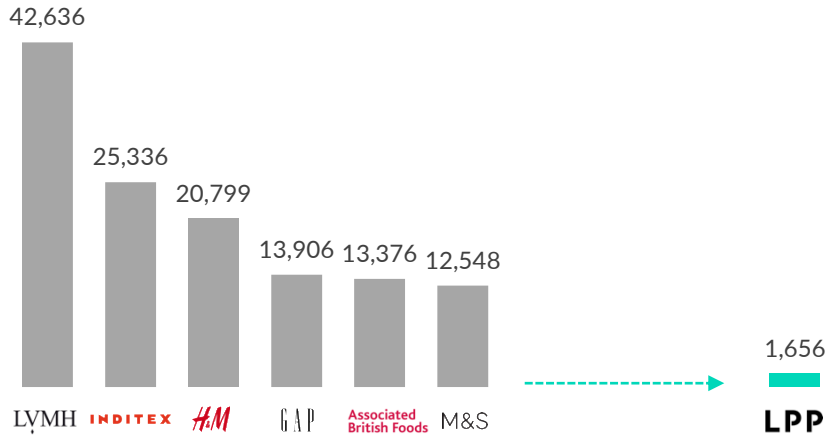
LEADER ON THE DOMESTIC RETAIL MARKET

REVENUES (PLN m)



AMBITIONS TO BE AMONG THE INTERNATIONAL LEADERS

REVENUES (EUR m)



Note: Data based on 2017 revenues or equivalent annual if available. Values calculated at average exchange rates for the period.



LPP

01. Overview

02. Investment case

03. Back-up

Investment case

1	New markets development with 5 mainstream brands	**10%** YoY floorspace growth targeted for **2018**
2	Dynamic e-commerce growth	**c.100%** YoY e-commerce revenue growth pursued in **2018**
3	Efficient business model	**Successful** recovery from medium-term turbulences
4	Free cash flow generation, sustaining dividends	**c.PLN 870m** paid in dividends so far
5	A responsible company managed by founders	Sole **ACCORD** member from Poland

Portfolio of 5 mainstream brands

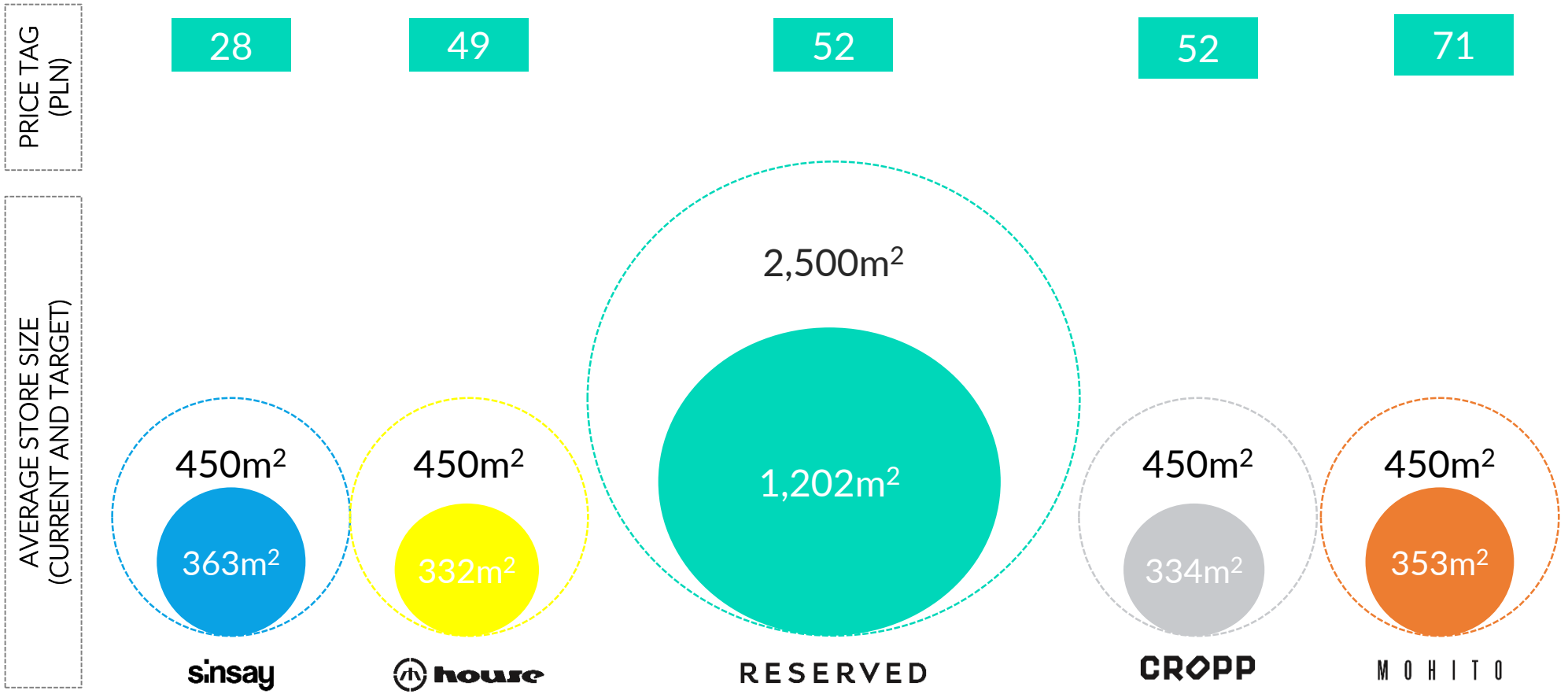
LPP

WE FOCUS ON MAINSTREAM-PRICED BRANDS

	RESERVED	CROPP	house	MOHITO	sinsay
KEY BRAND FEATURES	Anchor brand with broad customer base	Casual streetwear brand offering also international labels	Urban fashion brand with folk and vintage elements	Comfort and elegance for business and informal meetings	Clothes for every day inspirations and original party outfits
TARGET CUSTOMERS	Women, men, children	Teenagers (boys and girls)	Teenagers (boys and girls)	Young women	Teenagers (girls only)
YEAR OF LAUNCH	1998	2004	2001 (at LPP since 4Q08)	2008 (at LPP since 4Q08)	2013
COUNTRIES/ REGIONS PRESENT	CEE, SEE, Baltic, CIS, WE, ME	CEE, SEE, Baltic, CIS	CEE, SEE, Baltic, CIS	CEE, SEE, Baltic, CIS	CEE, Baltic, CIS, SEE
# STORES/ FLOORSPACE 2017	468 562.3 ths m2	381 127.2 ths m2	333 110.6 ths m2	294 103.8 ths m2	233 84.6 ths m2
AVERAGE STORE SIZE	1,202 m2	334 m2	332 m2	353 m2	363 m2

Note: Sum of brand floorspace does not equal group floorspace as on top we had c.12 ths m2 of outlets at the end of 2017.

Store upgrades to continue

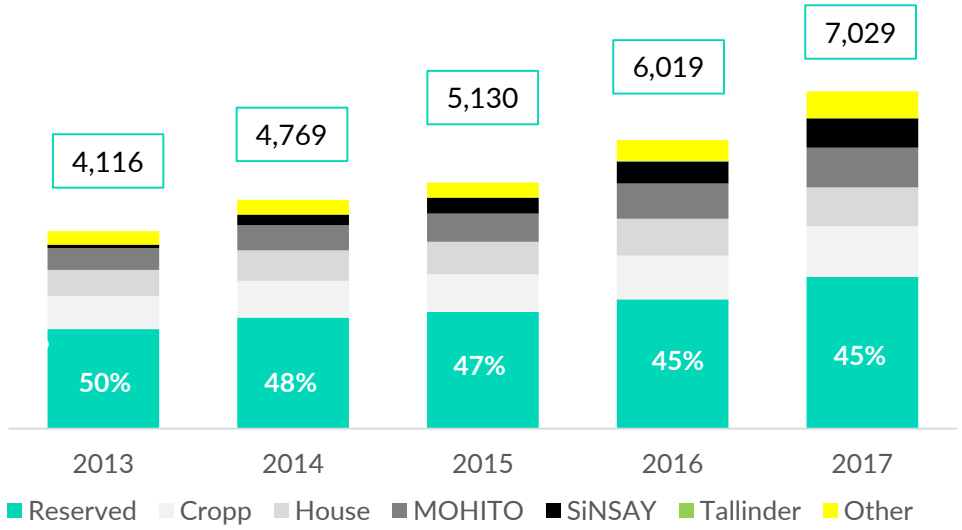


We plan to continue to gradually enlarge the average size of stores of all our brands so as to accommodate room for more comprehensive collections.

Reserved remains our most important brand

LPP

GROUP REVENIUES BY BRANDS
(PLN m)



GROUP REVENIUES BY BRANDS

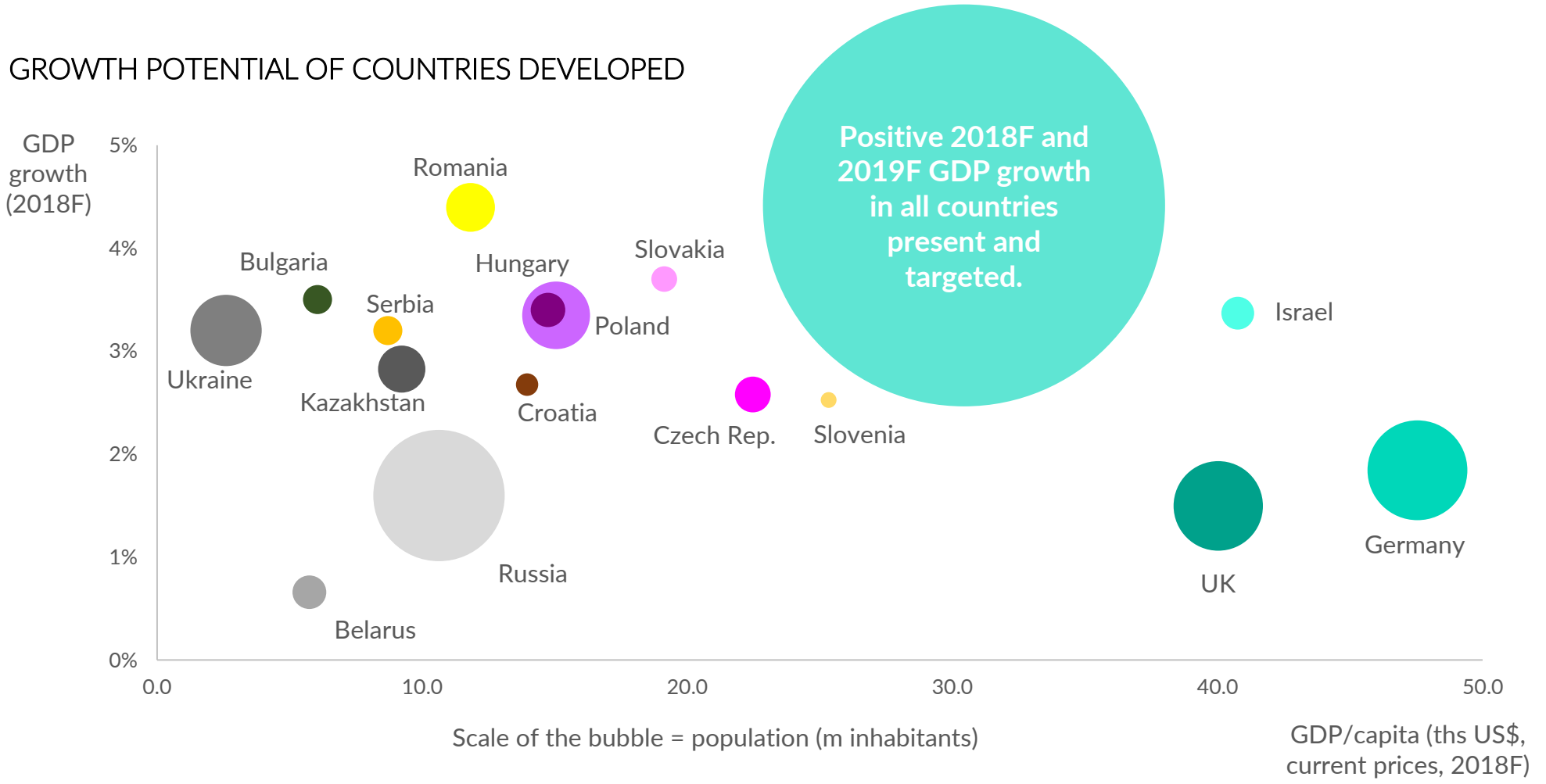
PLN m	2013	2014	2015	2016	2017
LPP GROUP	4,116	4,769	5,130	6,019	7,029
Reserved	2,074	2,311	2,434	2,693	3,160
Cropp	687	771	790	915	1,064
House	546	634	673	767	805
Mohito	456	523	586	737	829
Sinsay	74	225	329	461	610
Tallinder	0	0	0	12	1
Other	279	306	318	434	561

- Reserved remains our key brand. We continue to develop other brands to minimise fashion risk and benefit from economies of scale.
- In the long-term we plan to open stores of each brand in all countries in which we are present today.
- The priority in new markets' expansion is given to Reserved brand (Germany, Middle East, the UK).

International growth opportunities

DEVELOPMENT STAGE	MATURITY		DEVELOPING		EARLY STAGE	
	CEE	BALTIC	SEE	CIS	WE	ME
COUNTRIES PRESENT	Poland, Czech Republic, Hungary, Slovakia	Lithuania, Latvia, Estonia	Bulgaria, Romania, Croatia, Serbia	Russia, Ukraine, Belarus	Germany, UK	Egypt, Kuwait, Qatar, UAE
# COUNTRIES PRESENT	4	3	4	3	2	4
BRANDS	Reserved, Cropp, House, Mohito, Sinsay	Reserved, Cropp, House, Mohito, Sinsay	Reserved, Cropp, House, Mohito, Sinsay	Reserved, Cropp, House, Mohito, Sinsay	Reserved	Reserved
# STORES 2017	1,149	79	69	420	20	6
TYPE OF STORES	Own (majority), franchise	Own	Own	Own (majority), franchise	Own	Franchise
FLOORSPACE 2017	602.1 ths m2	43.0 ths m2	53.1 ths m2	247.3 ths m2	48.5 ths m2	6.6 ths m2

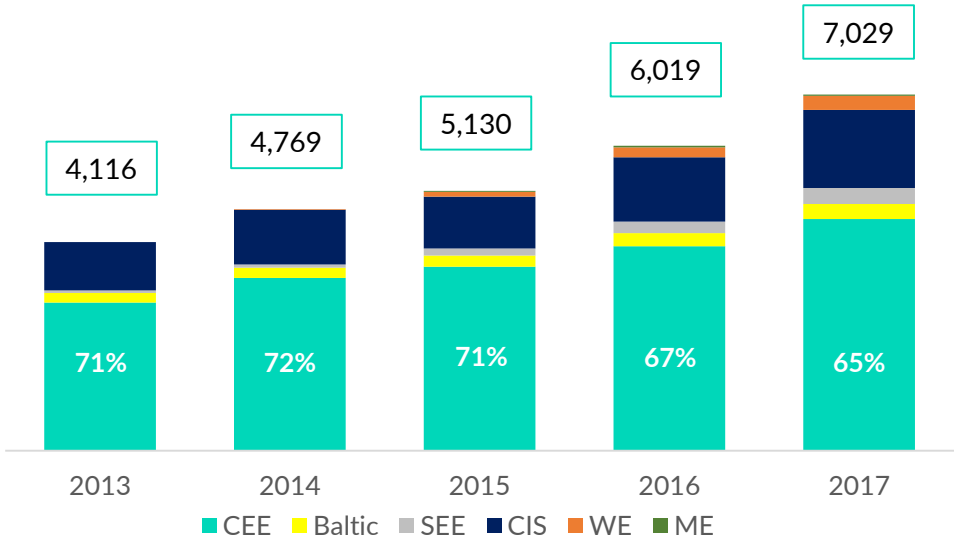
Entry into high growth potential markets



Source: International Monetary Fund, October 2017 dataset.

New countries fuel revenue growth

GROUP REVENUES BY REGIONS
(PLN m)

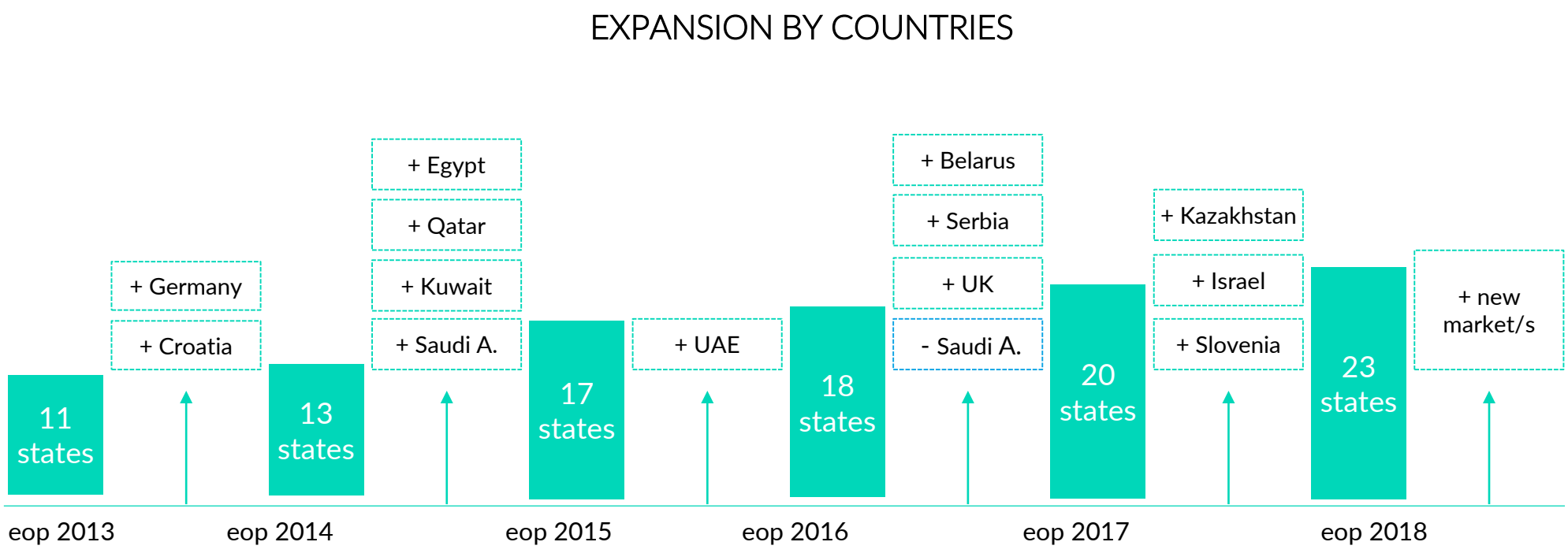


GROUP REVENUES BY REGIONS

PLN m	2013	2014	2015	2016	2017
LPP GROUP	4,116	4,769	5,130	6,019	7,029
CEE	2,927	3,414	3,634	4,039	4,572
Baltic	186	200	222	256	295
SEE	52	65	134	230	317
CIS	952	1,076	1,025	1,269	1,542
WE	0	15	94	194	279
ME	0	0	23	31	24

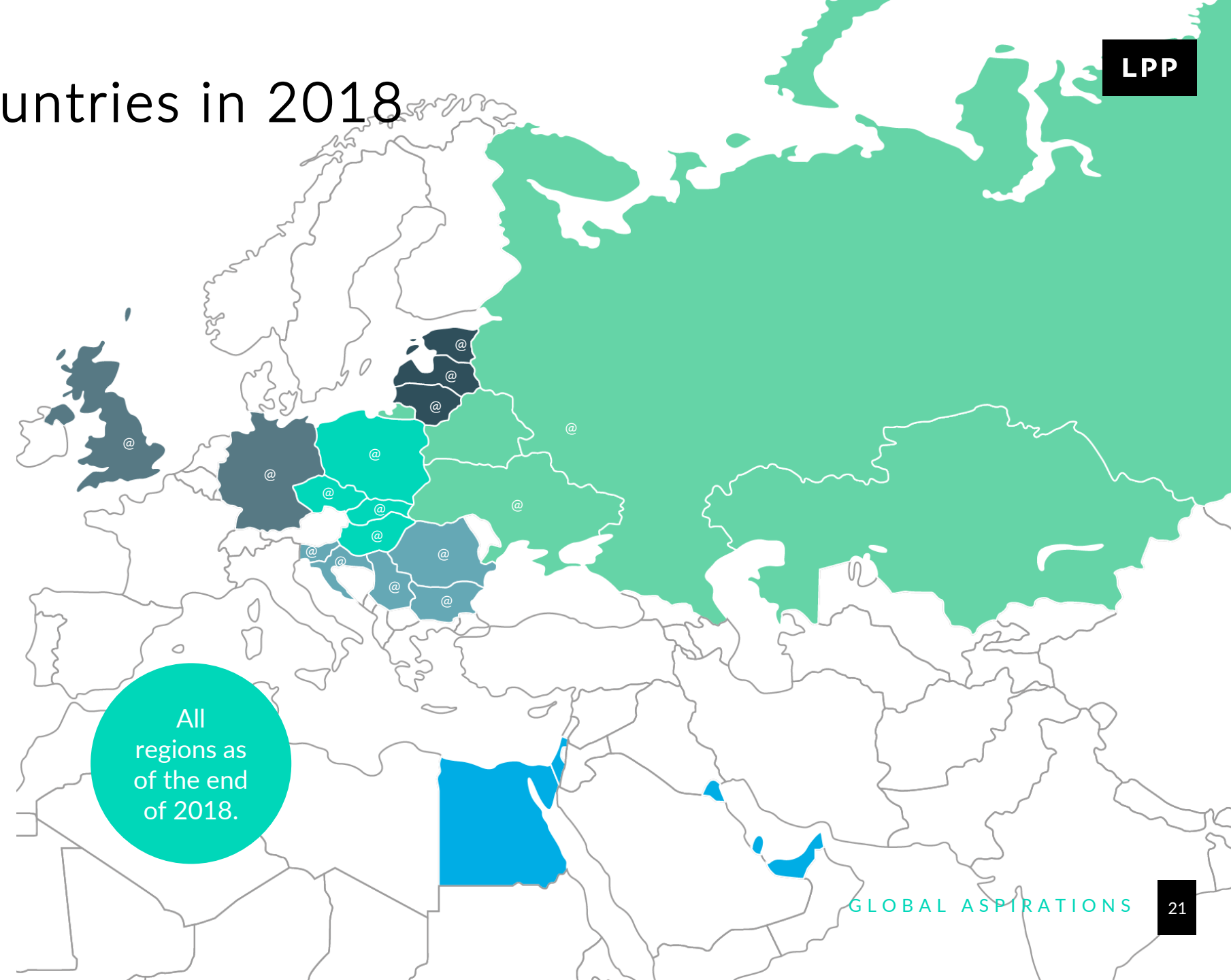
- CEE: dependency on Poland should continue to diminish in upcoming years. Maturity has been reached in Czech Republic and Slovakia, but Hungary still offers growth potential.
- CIS: acceleration in 2017 – step-up in store openings in Russia and Ukraine and entry via franchise stores into Belarus (April 2017). Entry into Kazakhstan planned for 2H18. SEE: further growth potential, entry into Slovenia in 2H18.
- WE: 20 stores in Germany by the end of 2018. First store in London opened in September 2017.

New countries every year



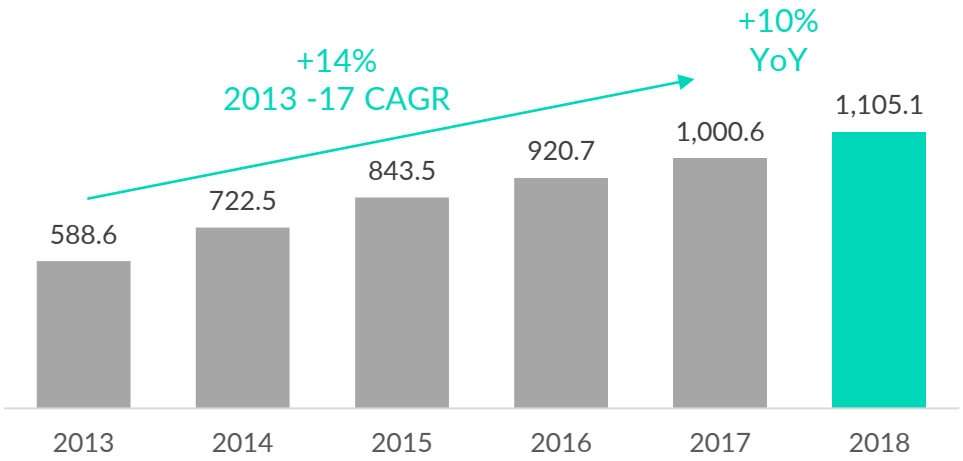
- It is our target to add at least one new country every year.
- In 2017 we opened three new markets: Belarus with franchise stores as well as Serbia and the UK with own stores.
- In 2018 we plan to open first Reserved franchise stores in Israel and own stores in Slovenia and Kazakhstan.

23 countries in 2018



Double-digit floorspace growth

FLOORSPACE GROWTH TARGETS (ths m2)



FLOORSPACE TARGETS BY REGIONS

ths m2	2017	YoY	2018	YoY
LPP GROUP	1,000.6	9%	1,105.1	10%
Poland	514.0	3%	527.4	3%
Europe	232.8	11%	285.3	23%
CIS	247.3	19%	284.1	15%
ME	6.6	-13%	8.4	28%

- We plan to grow floorspace by 10% YoY in 2018.
- Reserved stores in 23 countries at the end of 2018. 3 new markets in 2018: Kazakhstan and Slovenia (own stores) and Israel (franchise stores).
- 2018 targets: (1) selective development in Poland, (2) acceleration of growth in Europe (emphasis on South Eastern Europe), (3) further development in the CIS region, and (4) return to growth in the Middle East.

E-commerce – our second growth pillar

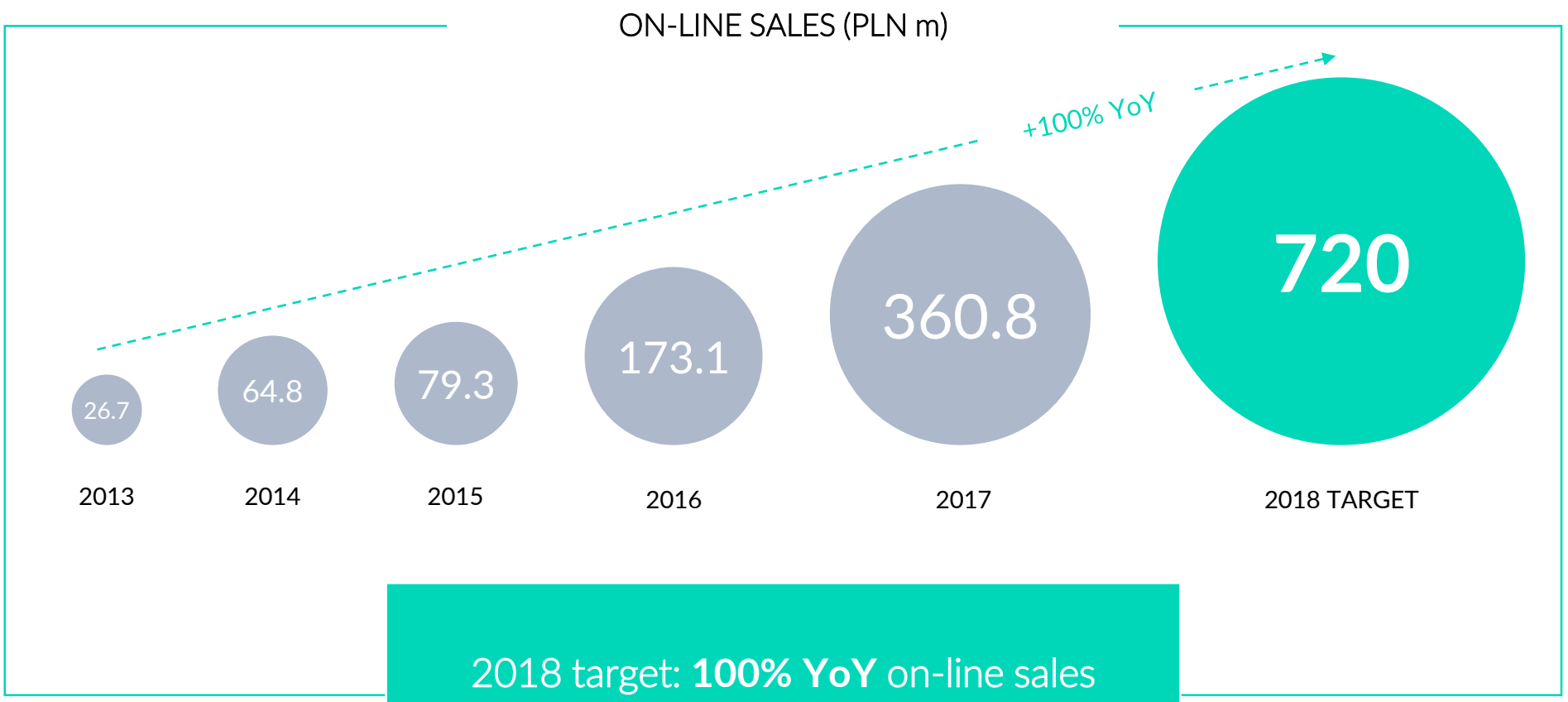
E-commerce is the
second pillar
of our of growth strategy.

We have high quality internet stores in
11 countries.



- We have been successful on every on-line market that we have launched. Poland remains the largest on-line sales contributor due to strong recognition of our brands and much earlier roll-out.
- In April 2017 we signed an agreement with Arvato to outsource on-line logistics of four our brands with the aim to speed up and improve the logistics. The agreement became operational in Autumn 2017.
- We continue to work on e-commerce growth: 16 countries with e-commerce by the end of 2018.

Triple-digit on-line sales growth



2018 target: **100% YoY** on-line sales growth.

Acceleration of e-commerce roll-out



E-commerce successful on every market

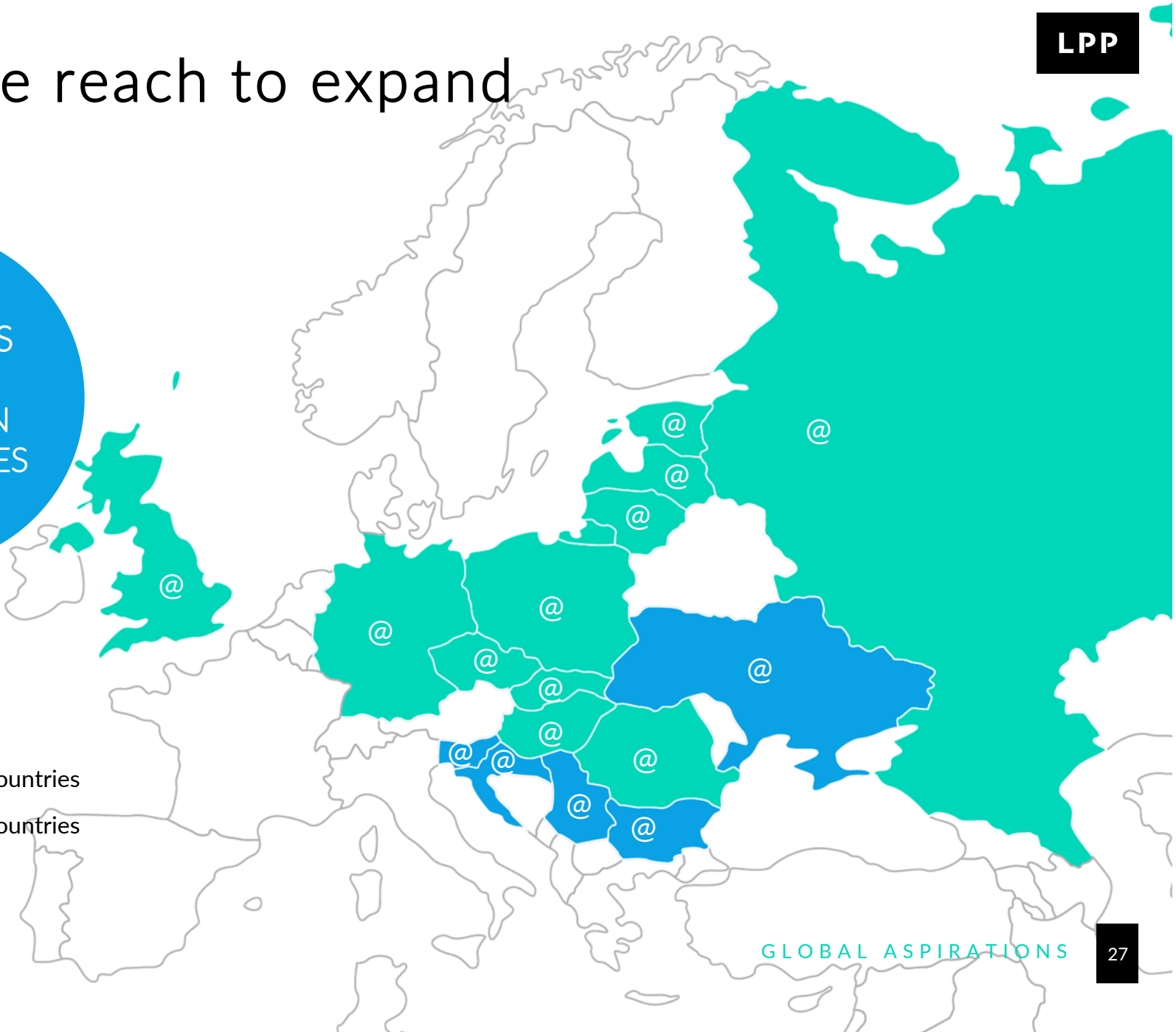
	RESERVED	CROPP	house	MOHITO	sinsay
Poland	✓	✓	✓	✓	✓
Czech Republic	✓	✓	✓	✓	✓
Slovakia	✓	✓	✓	✓	✓
Hungary	✓	✓	✓	✓	✓
Lithuania	✓	✓	✓	✓	✓
Latvia	✓	✓	✓	✓	✓
Estonia	✓	✓	✓	✓	✓
Romania	✓	✓	✓	✓	✓
Germany	✓	✓	✓	✓	✓
Russia	✓		✓	✓	✓
UK	✓				

Data as of 31.12.2017. In 1Q18 we launched Cropp e-store in Russia.

E-commerce reach to expand

2018 PLANS

E-STORES IN
16 COUNTRIES



- E-commerce 2017 - 11 countries
- E-commerce 2018 - 16 countries

A positive 2018 outlook

LPP

OPPORTUNITIES

LPP's stores in new countries.

E-commerce in new countries.

2018 TARGETS

Continuation of double-digit revenue growth due to floorspace development and e-commerce.

Group's gross profit margin should be between 54-55% (higher YoY).

Net cash to continue.

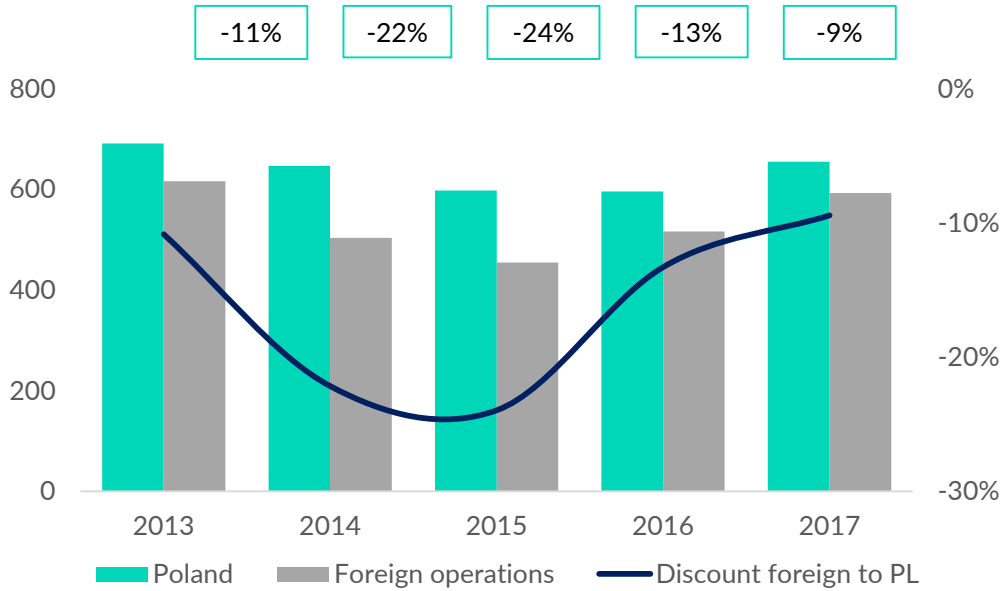
RISKS

Ban on trade on Sundays (18% of Polish revenues).

Unfavorable FX trends on US$, EUR, RUB versus PLN.

Sales/ m2 should continue to grow

AVERAGE MONTHLY REVENUES/ M2



AVERAGE MONTHLY REVENUES/ M2

PLN m	2013	2014	2015	2016	2017
LPP GROUP	664	589	548	575	628
Poland	691	647	598	595	654
Export	616	503	454	516	593
Reserved	617	547	483	475	514
Cropp	725	647	591	653	732
House	652	612	579	621	639
Mohito	759	583	549	636	696
Sinsay	670	584	531	607	690

- Revenues/ m2 in Poland were on average c.17% higher in 2013-17 than on foreign markets.
- The difference narrowed in 2016-17 due to stronger recognition of the younger brands abroad, more favourable FX trends and introduction of a new replenishment system abroad.
- Except for Cropp, in 2013-17 revenues/ m2 in Poland were higher than abroad due to superior brand recognition, yet the difference gradually dissipates on other brands.

Gross profit margin on the rise

SOURCES OF GROSS PROFIT MARGIN IMPROVEMENT

FX – c. 90% of purchases are made in the Far East and indexed to US$. Appreciation of zloty to US$ decreases costs of purchases from Asia.

Sell-off policy – new inventory management policy is aimed at selling goods to a maximum extent in stores to avoid the costs of their return and transport to post-season warehouse.

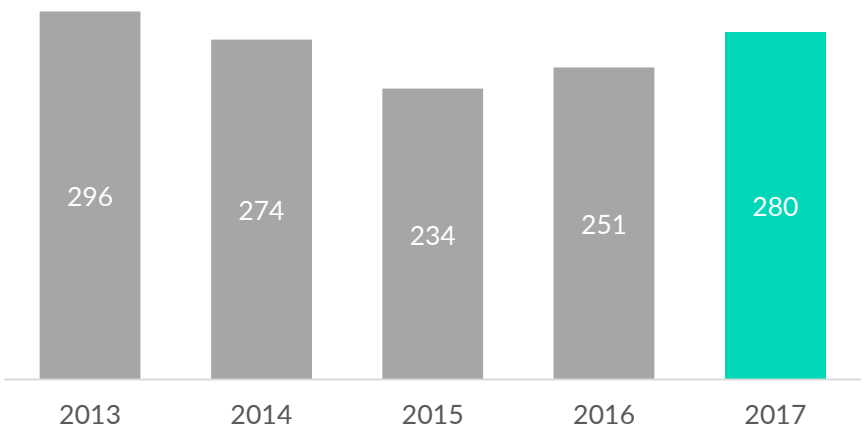
Quality of collections – we have introduced far reaching changes within our design departments so as to better meet the customers' expectations.

%	2013	2014	2015	2016	2017
LPP GROUP	58.5%	58.6%	53.5%	48.7%	52.9%

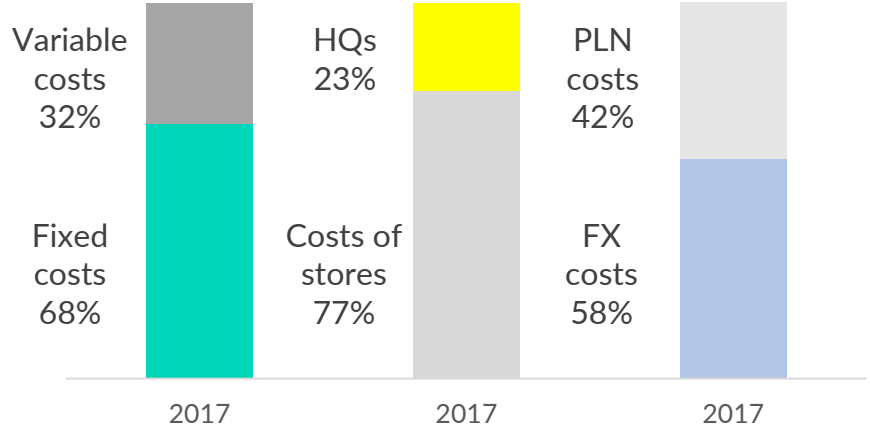
Successful recovery

High operating leverage business

AVERAGE MONTHLY SG&A COSTS/ M2 (PLN)



SG&A COSTS



Note: SG&A relations based on group 2017 data.

- Almost 70% of our SG&A costs are fixed, which implies a high operating leverage.
- Almost 60% of SG&A costs are linked to foreign currencies → zloty appreciation is favourable for EBIT.
- Fall in SG&A/ m2 over 2013-15 → optimisation of costs of stores and headquarters.
- Higher SG&A/ m2 in 2016-17 → growth in costs of stores (higher rentals, higher HR costs due to growing salaries, higher other costs of stores due to flagship openings) and pick-up in HQs costs.

ROE levels should continue to rebound

LPP

LPP'S ROE CONTRIBUTORS

Operating cost discipline	A lean business model	Moderate usage of debt
NET INCOME PROFITABILITY	OPERATING EFFICIENCY	FINANCIAL LEVERAGE
NET INCOME / REVENUES	× REVENUES / ASSETS	× ASSETS / EQUITY = ROE

	NI margin	Asset Turnover	Equity Multiplier	ROE
2013	10.5%	1.7	1.8	32.0%
2014	7.9%	1.6	1.9	23.9%
2015	6.8%	1.4	2.0	20.0%
2016	2.9%	1.6	1.8	8.7%
2017	6.3%	1.7	1.8	19.3%

Lean business model remains intact.

Note: 2014 net income adjusted for tax asset.

We focus on FCFF generation

LPP

FCFF GENERATION

PLN m	2013	2014	2015	2016	2017
FCFF	19	154	-64	454	405
NOPAT	509	638	426	205	452
D&A	148	194	224	267	293
Capex	-542	-551	-491	-272	-442
NWC	-96	-127	-223	256	101

Strong and stable positive 2016 and 2017 FCFF
(Free Cash Flow to Firm).

NOPAT

- We focus on positive LFLs on all brands.
- Positive LFLs trigger the operating leverage to work in our favour.
- Strong growths in the higher margin e-commerce should additionally support EBIT margin.

CAPEX & D&A

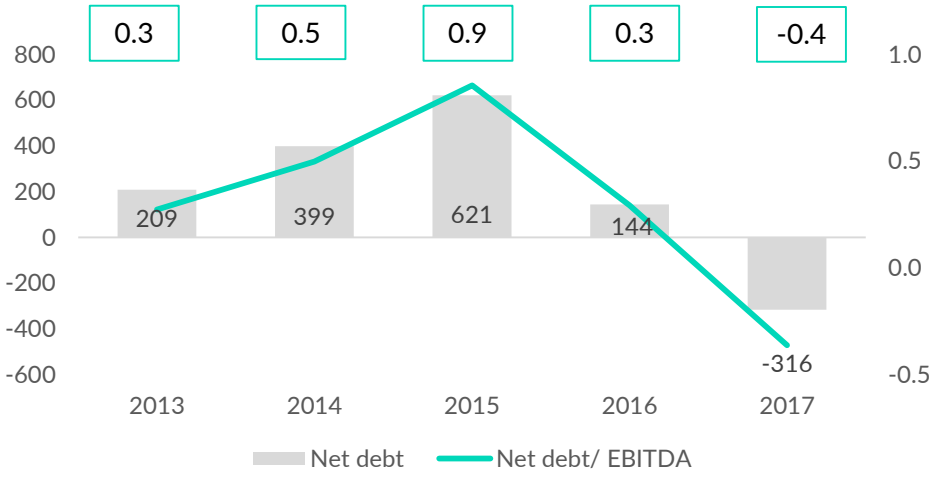
- We invest in high quality store locations where we obtain fit-outs.
- Current logistics centre is sufficient until 2020.
- We outsource e-commerce logistics.

NWC

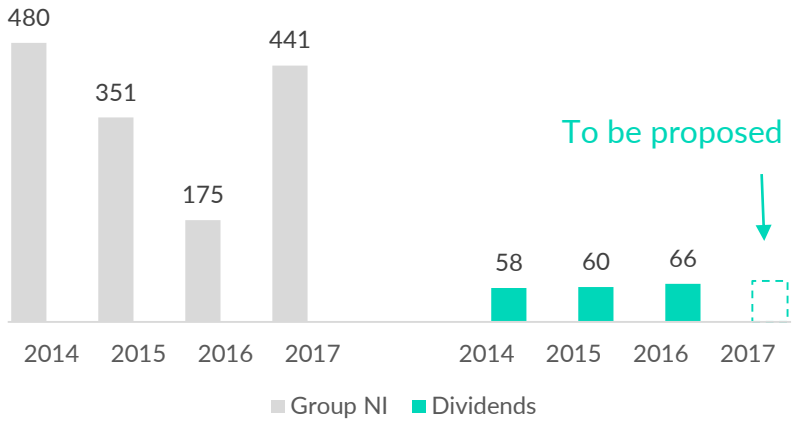
- It is our aim to match liabilities to the level of inventory.
- We use supply chain financing for our suppliers.
- We search for the optimal inventory/ m2 level.

Net cash supports dividends

NET DEBT VS NET DEBT/EBITDA
(PLN m)



DIVIDENDS VS NET EARNINGS
(PLN m)



- Despite dynamic organic growth, we turned net debt into net cash.
- Our aim is to maintain net cash levels in the upcoming quarters due to plans to further develop supply chain financing.
- LPP has a history of dividend payments (first in 2010 from 2009 earnings).
- It is the intention of LPP's management to continue dividend payments in future.

A socially responsible Polish family company

- Created and managed by Polish entrepreneurs
- SGS
- ACCORD
- Member of the Family Business Network Poland
- First Fitting
- LPP’s Ambassador Programme
- LPP TEAM for Kids.



We focus on all stakeholders

Over 190 retail companies and NGOs joined ACCORD in October 2013.

LPP was the only Polish retail company to join ACCORD (Accord on Fire and Building Safety in Bangladesh).

The aim of the alliance is to improve the safety of workers in Bangladesh.

Co-operation was signed for 5 years.

ACCORD
on Fire and Building Safety in Bangladesh

In January 2018 LPP signed the second ACCORD agreement aimed at preparing the Bengali government to carry out independent checks in factories and ensure improvement of working conditions.

SGS

Since April 2017 we co-operate with an international SGS company in frames of auditing the working conditions at our Asian subcontractors.

Company managed by founders

Index of Success awarded by Deloitte and Rzeczpospolita newswire in 2016 for the last 10-year performance

Most effective CEO by Harvard Business Review (2013)

The most dynamically growing company in Pomerania region by Forbes (2014)

No 1 Investor Relations by Parkiet (2015, 2014)

No 1 at ranking Stock Company of the Year by Puls Biznesu (2014, 2012, 2011)

Polish company - International Champion: distinction in the Exporter category: Poland. Private company - a large enterprise (2017)

- Both LPP's founders, Marek Piechocki (CEO, 57) and Jerzy Lubianiec (Chairman of the Supervisory Board, 57) have over 25 years of experience in the retail business and actively suport LPP's development.
- Both founders still control the business with 29.5% of equity and 60.2% of votes.
- Since IPO, top-ranked management for the quality of investor relations in surveys among investment professionals.

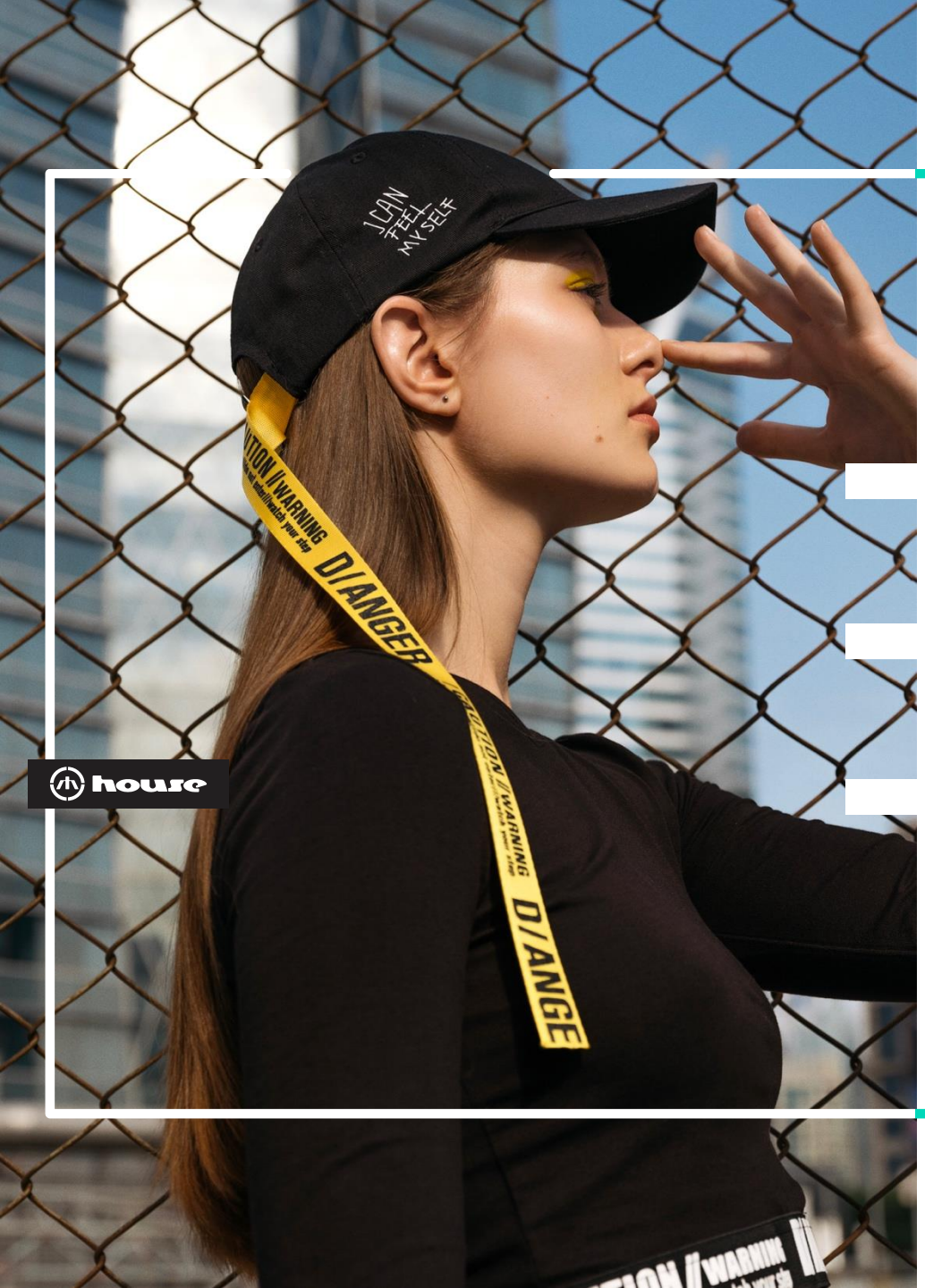
LPP – an investment opportunity



Company actively pursuing international expansion.

High quality Company after a successful earnings recovery.

Stock benefiting from liquidity and recognition from WIG20 and MSCI Poland membership.



LPP

01. Overview

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RESERVED

KEY BRAND FEATURES	Anchor brand with broad customer base
TARGET CUSTOMERS	Women, men, children
YEAR OF LAUNCH	1998
# STORES	468
# MARKETS	20
STORE SIZE	1,202 m2
ADVERTISING	International stars like Cindy Crawford, Kate Moss and Georgia May Jagger, Cara Delevigne

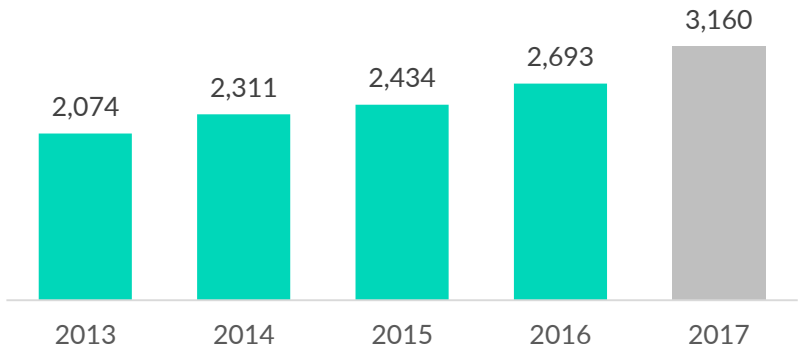


RESERVED

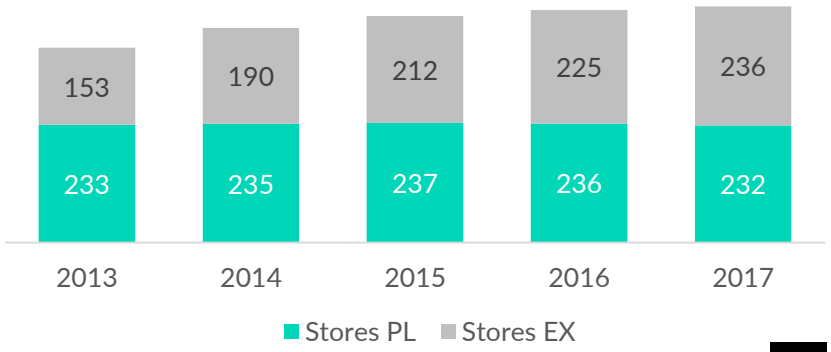
Key data	2013	2014	2015	2016	2017
Revenues (PLN m)	2,073.8	2,311.3	2,433.8	2,692.9	3,159.5
No. of stores	386	425	449	461	468
Store size (m2)	835	917	1,027	1,104	1,202
Floorspace (ths, m2)	322.3	389.7	461.3	509.1	562.3
Sales/ m2 monthly	617	547	483	475	514
% of floorspace in PL	59%	54%	50%	49%	47%

YoY growth	2013	2014	2015	2016	2017
Revenues (PLN m)	21%	11%	5%	11%	17%
No. of stores	12%	10%	6%	3%	2%
Store size (m2)	14%	10%	12%	7%	9%
Floorspace (eop, m2)	28%	21%	18%	10%	10%
Sales/ m2 monthly	-2%	-11%	-12%	-2%	8%
% of floorspace in PL	-3pp	-5pp	-4pp	-1pp	-2pp

REVENUES (PLN m)



STORES



CROPP

KEY BRAND FEATURES	Casual streetwear brand with international labels
TARGET CUSTOMERS	Teenagers (boys and girls)
YEAR OF LAUNCH	2004
# STORES	381
# MARKETS	13
STORE SIZE	334 m2
ADVERTISING	Partner of artistic and street art events

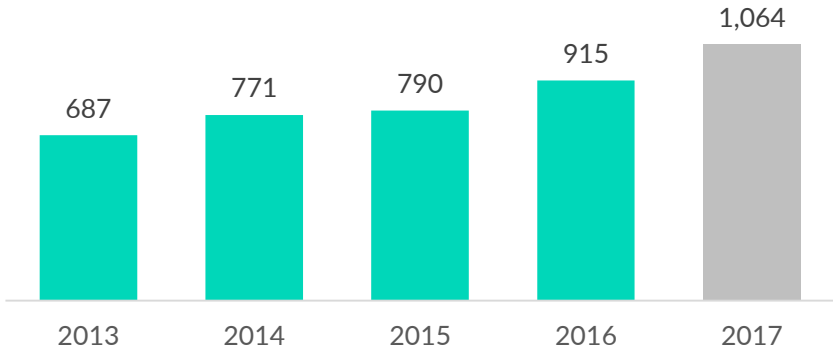


CROPP

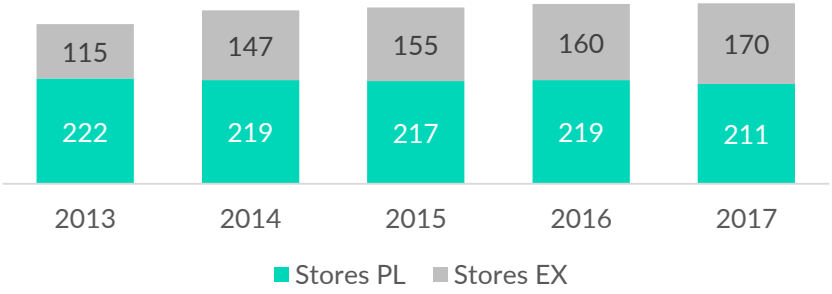
Key data	2013	2014	2015	2016	2017
Revenues (PLN m)	687.0	770.9	789.9	914.9	1,063.9
No. of stores	337	366	372	379	381
Store size (m2)	269	288	308	318	334
Floorspace (ths, m2)	90.6	105.4	114.5	120.4	127.2
Sales/ m2 monthly	725	647	591	653	732
% of floorspace in PL	60%	55%	55%	54%	52%

YoY growth	2013	2014	2015	2016	2017
Revenues (PLN m)	18%	12%	2%	16%	16%
No. of stores	14%	9%	2%	2%	1%
Store size (m2)	10%	7%	7%	3%	5%
Floorspace (eop, m2)	26%	16%	9%	5%	6%
Sales/ m2 monthly	-4%	-11%	-9%	11%	12%
% of floorspace in PL	-2pp	-5pp	0pp	-1pp	-2pp

REVENUES (PLN m)



STORES



house

KEY BRAND FEATURES	Urban fashion brand with folk and vintage elements
TARGET CUSTOMERS	Teenagers (boys and girls)
YEAR OF LAUNCH	2001 (at LPP since 4Q08)
# STORES	333
# MARKETS	13
STORE SIZE	332 m2
ADVERTISING	Artistic events partner and music sponsor

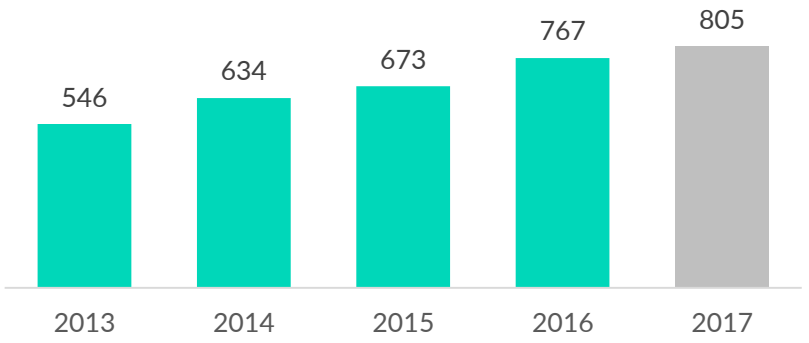


house

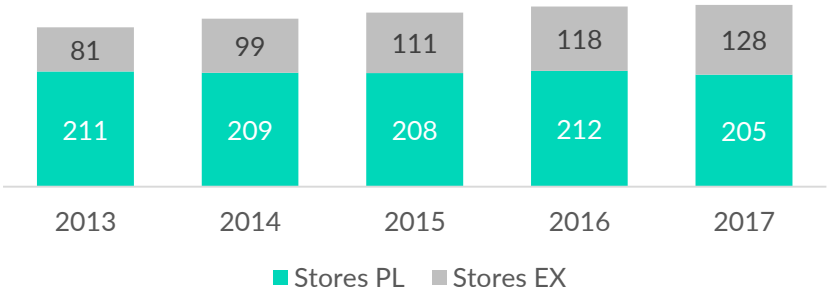
Key data	2013	2014	2015	2016	2017
Revenues (PLN m)	546.3	633.6	673.2	767.1	805.3
No. of stores	292	308	319	330	333
Store size (m2)	275	291	313	320	332
Floorspace (ths, m2)	80.2	89.6	99.7	105.7	110.6
Sales/ m2 monthly	652	612	579	621	639
% of floorspace in PL	69%	64%	62%	61%	59%

YoY growth	2013	2014	2015	2016	2017
Revenues (PLN m)	25%	26%	6%	14%	5%
No. of stores	13%	5%	4%	3%	1%
Store size (m2)	11%	6%	7%	2%	4%
Floorspace (eop, m2)	26%	12%	11%	6%	5%
Sales/ m2 monthly	0%	-2%	-5%	7%	3%
% of floorspace in PL	-4pp	-5pp	-2pp	-1pp	-2pp

REVENUES (PLN m)



STORES



MOHITO

KEY BRAND FEATURES	Comfort and elegance; business and casual
TARGET CUSTOMERS	Young women
YEAR OF LAUNCH	2008 (at LPP since 4Q08)
# STORES	294
# MARKETS	13
STORE SIZE	353 m2
ADVERTISING	Super models (Anna Jagodzińska, Anja Rubik, Zuzanna Bijoch)

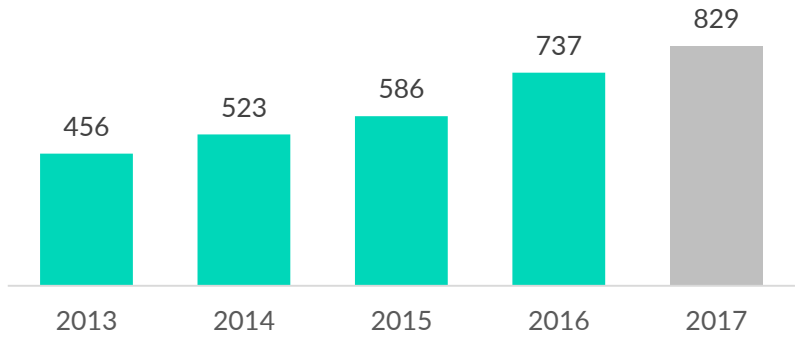


MOHITO

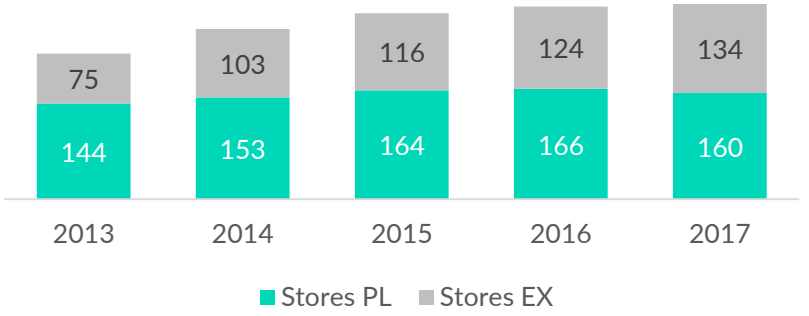
Key data	2013	2014	2015	2016	2017
Revenues (PLN m)	456.4	522.9	586.5	736.8	828.6
No. of stores	219	256	280	290	294
Store size (m2)	301	323	337	342	353
Floorspace (ths, m2)	66.0	82.8	94.5	99.1	103.8
Sales/ m2 monthly	759	583	549	636	696
% of floorspace in PL	62%	56%	55%	54%	51%

YoY growth	2013	2014	2015	2016	2017
Revenues (PLN m)	76%	15%	12%	26%	12%
No. of stores	36%	17%	9%	4%	1%
Store size (m2)	25%	7%	4%	1%	3%
Floorspace (eop, m2)	70%	26%	14%	5%	5%
Sales/ m2 monthly	-6%	-19%	-6%	16%	10%
% of floorspace in PL	-5pp	-6pp	-1pp	-1pp	-3pp

REVENUES (PLN m)



STORES



sinsay

KEY BRAND FEATURES	Every day clothes and original party outfits
TARGET CUSTOMERS	Teenagers (girls only)
YEAR OF LAUNCH	2013
# STORES	233
# MARKETS	13
STORE SIZE	363 m2
ADVERTISING	Social media

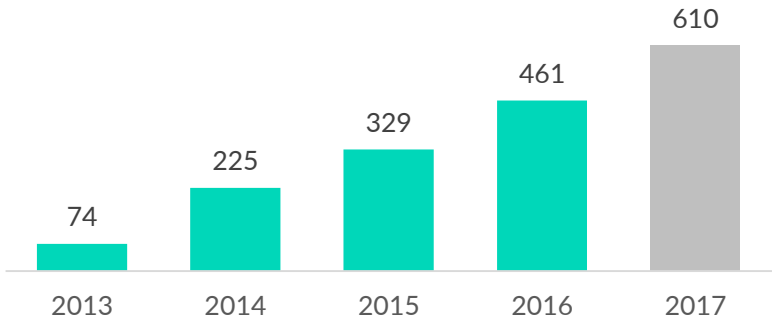


sinsay

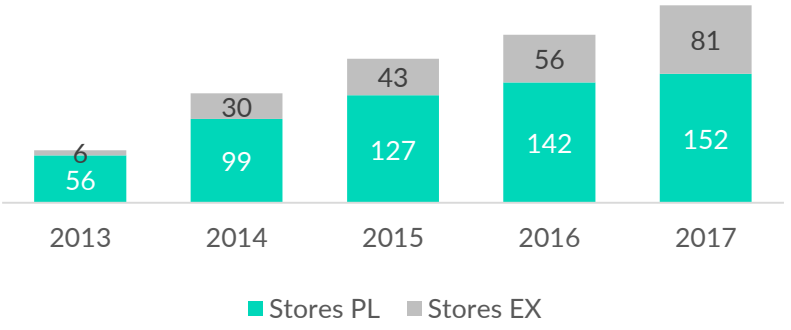
Key data	2013	2014	2015	2016	2017
Revenues (PLN m)	74.0	224.7	328.9	460.9	610.2
No. of stores	62	129	170	198	233
Store size (m2)	325	338	351	352	363
Floorspace (ths, m2)	20.1	43.7	59.7	69.8	84.6
Sales/ m2 monthly	670	584	531	607	690
% of floorspace in PL	89%	75%	73%	70%	63%

YoY growth	2013	2014	2015	2016	2017
Revenues (PLN m)	-	204%	46%	40%	32%
No. of stores	-	108%	32%	16%	18%
Store size (m2)	-	4%	4%	0%	3%
Floorspace (eop, m2)	-	117%	37%	17%	21%
Sales/ m2 monthly	-	-4%	-9%	14%	14%
% of floorspace in PL	-	-14pp	-2pp	-3pp	-7pp

REVENUES (PLN m)



STORES



Acceleration of LFL growth

LPP

LFLs DEFINITION

- Stores that
  - have been the same as a year before (have not changed their floorspace, have not undergone upgrades) and
  - have been in operation for the past 12 months (without a break longer than 7 days).
- Calculations are conducted without taking into account changes in currencies in countries in which LPP's stores are run, i.e. in local currencies.

LFLs IN LOCAL CURRENCIES

%	2013	2014	2015	2016	2017
LPP GROUP	5.6%	-2.5%	0.6%	6.4%	10.1%

ACTIONS TAKEN TO BOOST LFLs

- New collections
- Price
- International stars
- Promotions
- Attractive floorspace

International stars promote our brands

LPP

RESERVED



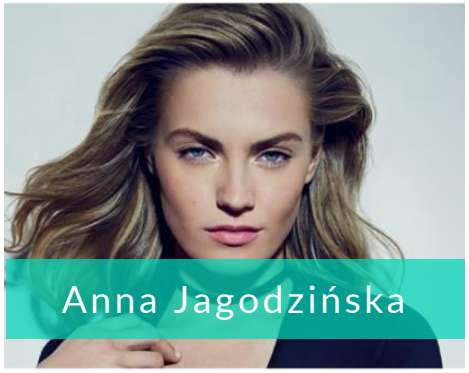






MOHITO









We focus on flagships

Reserved in London, UK



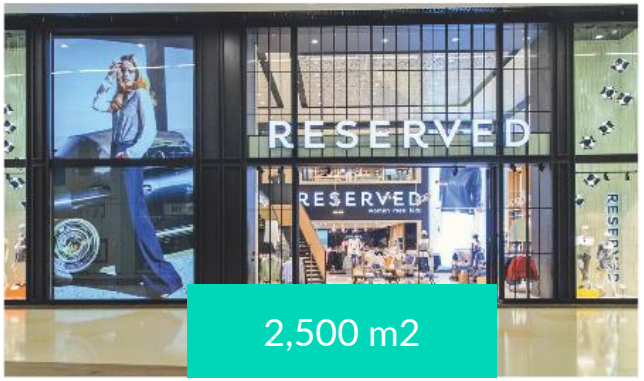
3,000 m2

Reserved in Berlin, Germany



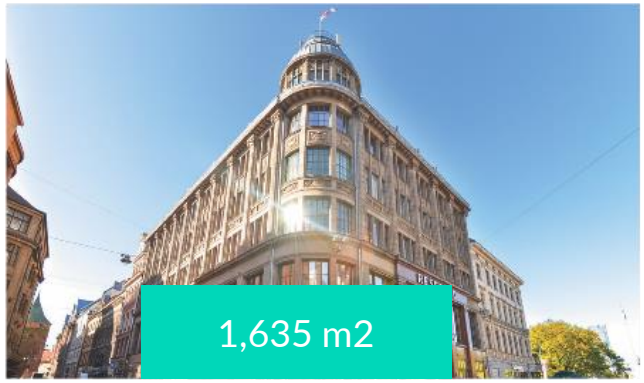
2,000 m2

Reserved in Moscow, Russia



2,500 m2

Reserved in Riga, Latvia



1,635 m2

Reserved in Warsaw, Poland



2,500 m2

Reserved in Belgrade, Serbia



3,500 m2

New Reserved store concept



Wide, open and transparent storefront allows for a deep view into the store.

Modern LED lamps and LED screens illuminate the collections in a better way and create a warm ambience.

Comfortable, large and spacious fitting rooms.

Lack of dedicated zones allows for a smooth transition between women, men and children zones.

Furniture made of straight profiles, flexible and more mobile.

Network development

Floorspace (ths m2)	31.12.2015	31.03.2016	30.06.2016	30.09.2016	31.12.2016	31.03.2017	30.06.2017	30.09.2017	31.12.2017
Reserved	**461.3**	**467.1**	**473.8**	**487.2**	**509.1**	**510.7**	**520.8**	**526.8**	**562.3**
Poland	232.5	230.9	235.1	232.0	248.7	245.9	247.4	247.9	266.8
Europe	120.2	124.0	127.2	140.0	144.1	147.7	151.3	157.6	160.8
CIS	103.1	104.6	103.9	107.7	108.7	109.5	114.0	114.7	128.1
ME	5.5	7.6	7.6	7.6	7.6	7.6	8.2	6.6	6.6
Cropp	**114.5**	**115.4**	**117.8**	**116.7**	**120.4**	**120.1**	**121.9**	**121.4**	**127.2**
Poland	63.0	63.6	65.2	63.0	65.3	65.1	66.5	64.9	65.7
Europe	19.8	20.2	20.6	21.0	21.2	21.0	20.8	21.2	22.3
CIS	31.7	31.6	31.9	32.8	34.0	34.0	34.7	35.3	39.3
House	**99.7**	**100.5**	**104.8**	**103.8**	**105.7**	**102.9**	**106.6**	**105.6**	**110.6**
Poland	62.2	62.9	65.4	63.1	64.9	62.4	65.1	64.0	65.0
Europe	15.1	15.5	16.4	16.8	16.4	16.2	16.2	16.2	17.1
CIS	22.4	22.0	23.1	23.9	24.3	24.3	25.4	25.4	28.6
Mohito	**94.5**	**94.9**	**95.9**	**97.6**	**99.1**	**97.8**	**99.3**	**98.5**	**103.8**
Poland	52.1	52.5	51.8	52.4	53.4	51.7	52.6	52.1	53.0
Europe	16.1	16.5	17.7	18.1	18.1	18.1	18.1	18.1	19.7
CIS	26.2	25.9	26.3	27.1	27.7	28.0	28.6	28.4	31.1
Sinsay	**59.7**	**60.5**	**63.1**	**65.2**	**69.8**	**69.8**	**72.5**	**76.0**	**84.6**
Poland	43.5	43.9	44.5	45.5	48.6	48.6	49.0	50.9	53.2
Europe	7.6	8.0	8.8	9.2	9.7	9.7	10.4	10.9	12.8
CIS	8.6	8.6	9.8	10.5	11.5	11.5	13.1	14.2	18.7
Tallinder (Poland only)	**0.0**	**2.9**	**3.7**	**3.7**	**4.1**	**0.0**	**0.0**	**0.0**	**0.0**
Outlets	13.8	13.8	13.8	13.8	12.6	12.6	12.6	11.6	12.1
Total by regions									
Poland	465.0	468.3	477.4	471.2	496.6	485.3	492.1	490.5	514.0
Europe	179.0	184.4	190.8	205.2	209.5	212.8	216.9	224.1	232.8
CIS	193.9	194.7	196.9	204.0	207.0	208.2	216.5	218.7	247.3
ME	5.5	7.6	7.6	7.6	7.6	7.6	8.2	6.6	6.6
TOTAL	843.5	855.0	872.7	888.0	920.7	913.9	933.7	939.9	1,000.6

One million m2 of retail floorspace

Floorspace (ths m2)	2017	2018 former target	2018 target	YoY
BY BRANDS				
Reserved	562.3	627.5	628.9	12%
Cropp	127.2	131.4	132.7	4%
House	110.6	114.9	114.7	4%
Mohito	103.8	108.3	109.5	6%
Sinsay	84.6	107.2	107.4	27%
Outlets	12.1	11.0	11.8	-2%
BY REGIONS				
Polska	514.0	533.6	527.4	3%
Europa	232.8	282.7	285.3	23%
CIS	247.3	275.0	284.1	15%
ME	6.6	9.1	8.4	28%
TOTAL	**1,000.6**	**1,100.4**	**1,105.1**	**10%**

- 10% YoY floorspace growth in 2018.
- Reserved stores in 23 countries at the end of 2018.
- 3 new markets in 2018:
  - Kazakhstan and Slovenia (own stores),
  - Israel (franchise stores).
- 2018 target:
  - selective development in Poland,
  - acceleration of growth in Europe (emphasis on South Eastern Europe),
  - further development in the CIS region,
  - return to growth in the Middle East.
- Planned 2018 capex at c. PLN 520m, up c. 18% YoY. Planned store capex at PLN 350m, HQs outlays at PLN 95m and IT and logistics outlays at PLN 75m.

2017 network development details

FLOORSPACE (ths m2)	31.12.2016	31.12.2017	Nom. growth	YoY
Reserved	**509.1**	**562.3**	**53.2**	**10%**
Poland	248.7	266.8	18.1	7%
Europe	144.1	160.8	16.7	12%
CIS	108.7	128.1	19.4	18%
ME	7.6	6.6	-1.0	-13%
Cropp	**120.4**	**127.2**	**6.8**	**6%**
Poland	65.3	65.7	0.4	1%
Europe	21.2	22.3	1.1	5%
CIS	34.0	39.5	5.3	16%
House	**105.7**	**110.6**	**5.0**	**5%**
Poland	64.9	65.0	0.0	0%
Europe	16.4	17.1	0.7	5%
CIS	24.3	28.6	4.2	17%
Mohito	**99.1**	**103.8**	**4.6**	**5%**
Poland	53.4	53.0	-0.4	-1%
Europe	18.1	19.7	1.6	9%
CIS	27.7	31.1	3.4	12%
Sinsay	**69.8**	**84.6**	**14.8**	**21%**
Poland	48.6	53.2	4.6	9%
Europe	9.7	12.8	3.1	32%
CIS	11.5	18.7	7.1	62%
Tallinder	**4.1**	**0.0**	**-4.1**	**-100%**
Poland	4.1	0.0	-4.1	-100%
Europe	0.0	0.0	0.0	0%
CIS	0.0	0.0	0.0	0%
Outlets	**12.6**	**12.1**	**-0.5**	**-4%**
Poland	11.6	10.3	-1.3	-11%
Europe	0.2	0.2	0.0	0%
CIS	0.8	1.6	0.8	97%
TOTAL	920.7	1,000.6	79.9	9%

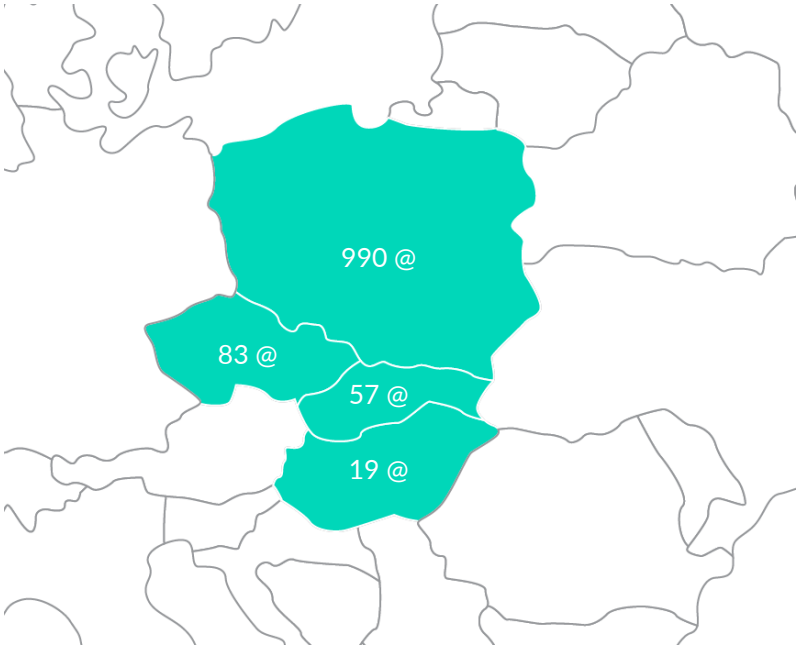
NUMBER OF STORES	31.12.2016	31.12.2017	Nom. growth	YoY
Reserved	**461**	**468**	**7**	**2%**
Poland	236	232	-4	-2%
Europe	116	119	3	3%
CIS	103	111	8	8%
ME	6	6	0	0%
Cropp	**379**	**381**	**2**	**1%**
Poland	219	211	-8	-4%
Europe	68	69	1	1%
CIS	92	101	9	10%
House	**330**	**333**	**3**	**1%**
Poland	212	205	-7	-3%
Europe	51	52	1	2%
CIS	67	76	9	13%
Mohito	**290**	**294**	**4**	**1%**
Poland	166	160	-6	-4%
Europe	57	53	-4	-7%
CIS	67	81	14	21%
Sinsay	**198**	**233**	**35**	**18%**
Poland	142	152	10	7%
Europe	26	33	7	27%
CIS	30	48	18	60%
Tallinder	**9**	**0**	**-9**	**-100%**
Poland	9	0	-9	-100%
Europe	0	0	0	0%
CIS	0	0	0	0%
Outlets	**36**	**34**	**-2**	**-6%**
Poland	33	30	-3	-9%
Europe	1	1	0	0%
CIS	2	3	2	50%
TOTAL	1,703	1,743	40	2%

CEE region

COUNTRIES PRESENT	Poland, Czech Republic, Slovakia, Hungary
GROWTH STAGE	Maturity
TRADITIONAL STORES	Reserved, Cropp, House, Mohito, Sinsay in all countries
ON-LINE STORES	Reserved, Cropp, House, Mohito, Sinsay in all countries
# STORES	1,149
FLORSPACE	602.1 ths m2
TYPE OF STORES	Own (majority), franchise

LPP

CENTRAL EASTERN EUROPE



XX NUMBER OF STORES, END 2017
@ ON-LINE STORES, END 2017

Established position domestically

Key data Poland	2013	2014	2015	2016	2017
Revenues (PLN m)	2,701	3,080	3,228	3,511	3,906
% of group revenues	66%	65%	63%	58%	56%
No. of stores	886	943	986	1,017	990
Floorspace (ths m2)	365.5	413.6	465.0	496.6	514.0

No. of stores	2013	2014	2015	2016	2017
Poland	**886**	**943**	**986**	**1,017**	**990**
Reserved	233	235	237	236	232
Cropp	222	219	217	219	211
House	211	209	208	212	205
Mohito	144	153	164	166	160
Sinsay	56	99	127	142	152
Tallinder	0	0	0	9	0
Outlets	20	28	33	33	30

Focus set on network optimisation in Poland.

- Poland is LPP's largest market, generating 56% of group revenues in 2017.
- As development of company-owned stores was initiated domestically, Poland is the market where sales/ m2 are higher than average abroad due to stronger brand recognition.
- Currently, stores of all brands are present in Poland in best shopping malls and high-streets.
- We focus on network optimisation and quality of stores in Poland.

Strong presence in other CEE countries

Key data of other CEE	2013	2014	2015	2016	2017
Revenues (PLN m)	225	334	406	527	666
% of group revenues	5%	7%	8%	9%	9%
No. of stores	90	132	158	160	159
Floorspace (ths, m2)	43.3	61.9	79.7	84.0	88.1

No. of stores	2013	2014	2015	2016	2017
Other CEE countries	**90**	**132**	**158**	**160**	**159**
Czech Republic	66	73	80	80	83
Slovakia	13	48	61	62	57
Hungary	11	11	17	18	19

Strong presence in other CEE countries.

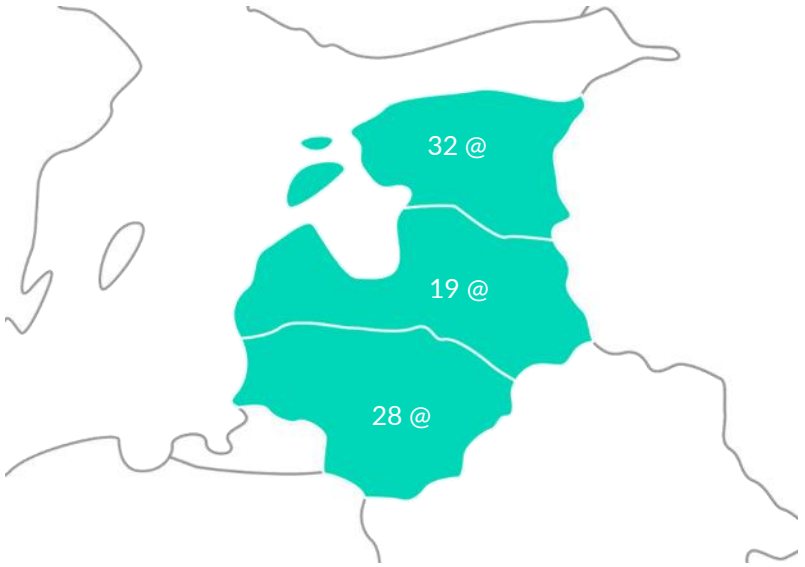
- All five mainstream brands are now in Czech Republic and maturity has been reached.
- Hungary remains the least saturated CEE market, despite 2015 introduction of House and Sinsay brands.
- After taking over the Slovak franchise stores (April 2014), we still see some development potential.

Baltic region

COUNTRIES PRESENT	Lithuania, Latvia, Estonia
GROWTH STAGE	Maturity
TRADITIONAL STORES	Reserved, Cropp, House, Mohito, Sinsay
ON-LINE STORES	Reserved, Cropp, House, Mohito, Sinsay
# STORES	79
FLORSPACE	43.0 ths m2
TYPE OF STORES	Own

LPP

BALTIC COUNTRIES



XX NUMBER OF STORES, END 2017
@ ON-LINE STORES, END 2017

Strong presence in Baltic countries

Key data	2013	2014	2015	2016	2017
Revenues (PLN m)	186	200	222	256	295
% of group revenues	5%	4%	4%	4%	4%
No. of stores	58	70	71	73	79
Floorspace (ths, m2)	27.2	36.4	38.2	39.5	43.0

No. of stores	2013	2014	2015	2016	2017
Baltic countries	**58**	**70**	**71**	**73**	**79**
Lithuania	23	25	26	28	28
Latvia	16	19	19	19	19
Estonia	19	26	26	26	32

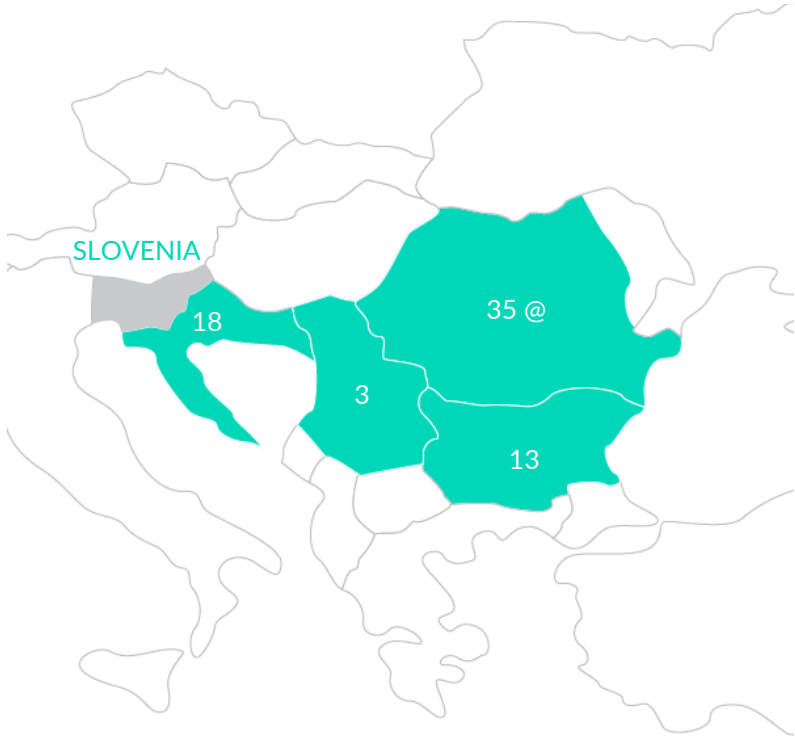
On-line stores now in all Baltic countries.

- Five mainstream brands present in Lithuania, Latvia and Estonia.
- Emphasis on efficiency improvement in traditional stores.
- Focus on on-line sales. On-line stores of all brands launched in April 2017.

SEE region

COUNTRIES PRESENT	Bulgaria, Romania, Croatia, Serbia
GROWTH STAGE	Developing
TRADITIONAL STORES	Reserved (all countries), Cropp (not in Serbia), House (not in Serbia), Mohito (not in Serbia), Sinsay (not in Bulgaria)
ON-LINE STORES	Reserved, Cropp, House, Mohito, Sinsay in Romania
# STORES	69
FLORSPACE	53.1 ths m2
TYPE OF STORES	Own

SOUTH EASTERN EUROPE



XX NUMBER OF STORES, END 2017
@ ON-LINE STORES, END 2017
■ NEW COUNTRIES, END 2018

Developing presence in SEE countries

Key data	2013	2014	2015	2016	2017
Revenues (PLN m)	52	65	134	230	317
% of group revenues	1%	1%	3%	4%	4%
No. of stores	23	31	47	63	69
Floorspace (ths, m2)	10.2	22.6	34.1	48.3	53.1

No. of stores	2013	2014	2015	2016	2017
SEE countries	**23**	**31**	**47**	**63**	**69**
Romania	5	11	22	34	35
Bulgaria	9	15	15	12	13
Croatia	0	5	10	17	18
Serbia	0	0	0	0	3

We see development potential in the SEE region.

- Late SEE entry (2008) due to: 1) priority given to CIS and 2) limited appropriate infrastructure in the region.
- Along with softer macro environment, in 2014 we stepped up our SEE development, opening more stores in Romania and Bulgaria and entering Croatia.
- We see medium-term development potential. First store in Serbia was opened in August 2017. In 2018 we plan to enter Slovenia.
- Focus on e-commerce expansion in 2018.

CIS region

COUNTRIES PRESENT	Russia, Ukraine, Belarus; entry into Kazakhstan in 4Q18
GROWTH STAGE	Developing
TRADITIONAL STORES	Reserved, Cropp, House, Mohito, Sinsay in Russia and Ukraine, while Reserved, Cropp, House in Belarus
ON-LINE STORES	Reserved, House, Mohito, Sinsay in Russia (Cropp since 1Q18)
# STORES	420
FLORSPACE	247.3 ths m2
TYPE OF STORES	Own (majority), franchise

CIS REGION



XX NUMBER OF STORES, END 2017
@ ON-LINE STORES, END 2017
■ NEW COUNTRIES, END 2018

More opportunities in the CIS region

Key data	2013	2014	2015	2016	2017
Revenues (PLN m)	952	1,076	1,025	1,269	1,542
% of group revenues	23%	23%	20%	21%	22%
No. of stores	272	336	349	368	420
Floorspace (ths, m2)	142.4	180.3	193.9	207.0	247.3

No. of stores	2013	2014	2015	2016	2017
CIS countries	**272**	**336**	**349**	**368**	**420**
Russia	219	267	280	296	327
Ukraine	53	69	69	72	88
Belarus	0	0	0	0	5

We seek growth in Russia.

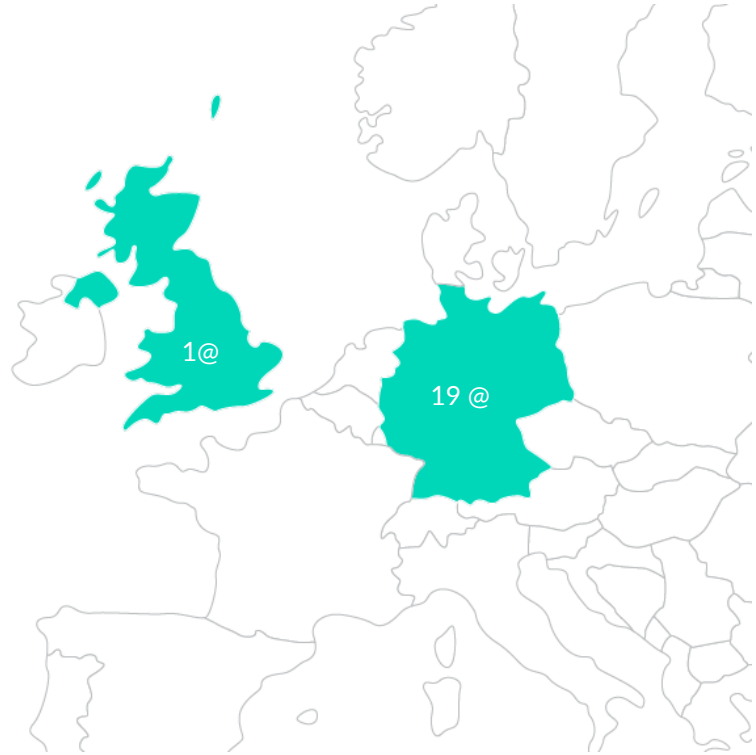
- CIS is the second most important market after Poland, responsible for 22% of group sales in 2017.
- Following the geopolitical issues from 2014, we have withheld new Russian and Ukrainian openings. From 2017 we accelerated development in both Russia and Ukraine.
- First franchise Reserved, Cropp and House stores were opened in April 2017 in Minsk, Belarus.
- Own stores in Kazakhstan are planned for 2018.

Western Europe

COUNTRIES PRESENT	Germany, the UK
GROWTH STAGE	Early stage
TRADITIONAL STORES	Reserved
ON-LINE STORES	Reserved, Cropp, House, Mohito, Sinsay in Germany, Reserved on-line in UK
# STORES	20
FLORSPACE	48.5 ths m2
TYPE OF STORES	Own

LPP

WESTERN EUROPE



XX NUMBER OF STORES, END 2017
@ ON-LINE STORES, END 2017

Western Europe as a new growth pillar

Key data	2013	2014	2015	2016	2017
Revenues (PLN m)	0	15	94	194	279
% of group revenues	0%	0%	2%	3%	4%
No. of stores	0	4	12	16	20
Floorspace (ths, m2)	0	7.6	27.1	37.7	48.5

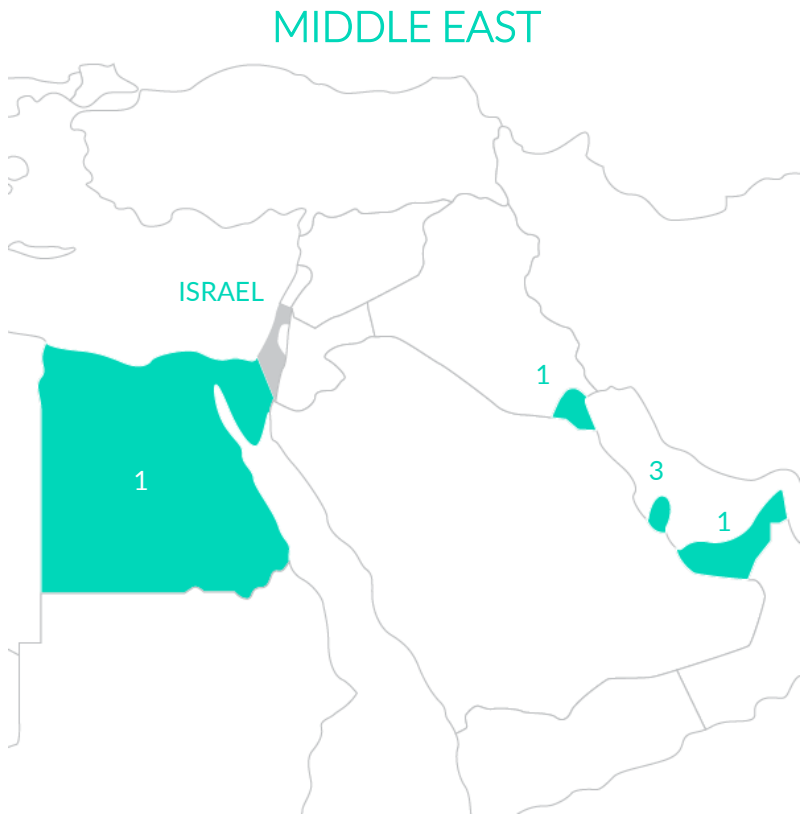
No. of stores	2013	2014	2015	2016	2017
WE countries	**0**	**4**	**12**	**16**	**20**
Germany	0	4	12	16	19
UK	0	0	0	0	1

We focus on BEP in Germany.

- Germany was the first Western European country entered. In July 2014 we launched Reserved on-line store, while first shop followed in September 2014.
- Flagship store in Munich opened in September 2016 was the first Reserved store in the new concept. In May 2017 we opened Berlin flagship.
- Our target: 20 stores in Germany by the end of 2018. Further development once these reach profitability.
- Our first store in the UK, in the centre of London, was opened in September 2017.

Middle East

COUNTRIES PRESENT	Egypt, Kuwait, Qatar, UAE
GROWTH STAGE	Early stage
TRADITIONAL STORES	Reserved
ON-LINE STORES	None
# STORES	6
FLORSPACE	6.6 ths m2
TYPE OF STORES	Franchise



XX NUMBER OF STORES, END 2017
@ ON-LINE STORES, END 2017
■ NEW COUNTRIES, END 2018

ME – foothold on the third continent

Key data	2013	2014	2015	2016	2017
Revenues (PLN m)	0	0	23	31	24
% of group revenues	0%	0%	0%	1%	0%
No. of stores	0	0	4	6	6
Floorspace (ths, m2)	0	0	5.5	7.6	6.6

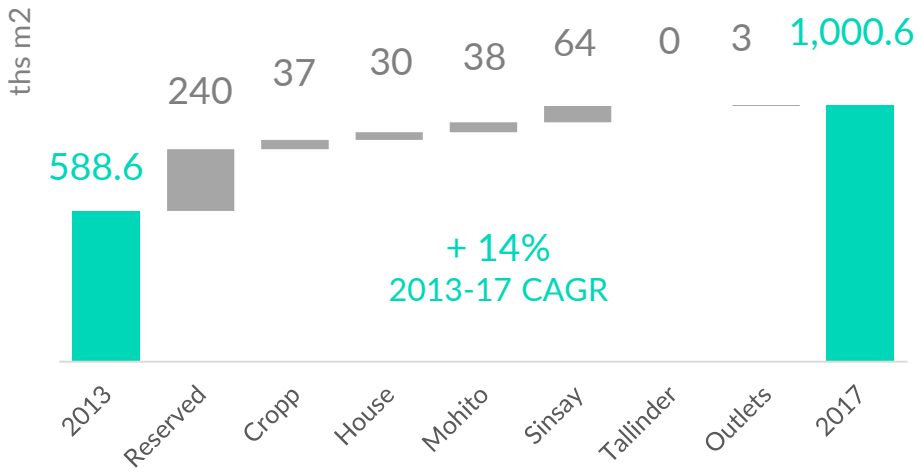
No. of stores	2013	2014	2015	2016	2017
ME countries	**0**	**0**	**4**	**6**	**6**
Egypt	0	0	1	1	1
Kuwait	0	0	1	1	1
Qatar	0	0	1	2	3
Saudi Arabia	0	0	1	1	0
UAE	0	0	0	1	1

We develop ME via franchise stores.

- Development via franchise stores opened by franchisee Azadea since 1Q15.
- Franchise stores require no capex, yet bear no retail margin.
- Now, only Reserved stores are developed within the region.
- New country – Israel – to be opened in 2018. Entry is planned via franchise stores.

Reserved dominated floorspace growth

FLOORSPACE GROWTH BY BRANDS



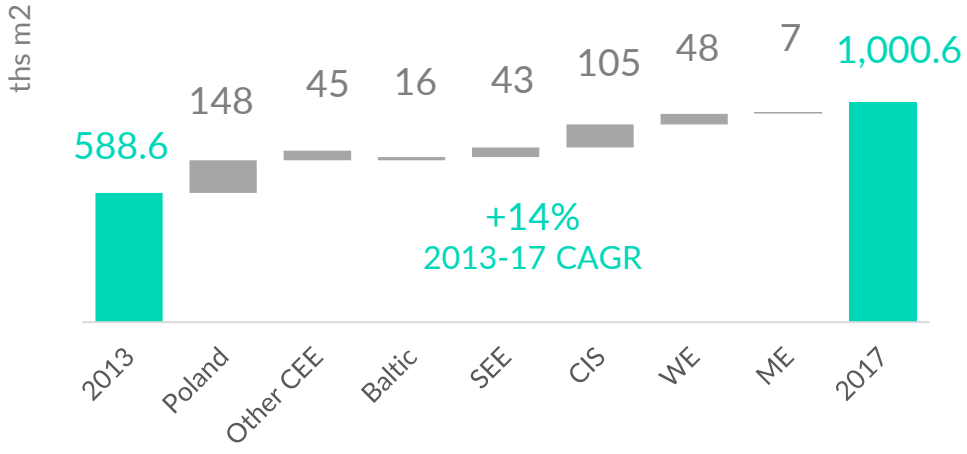
FLOORSPACE BY BRANDS

ths m2	2013	2014	2015	2016	2017
LPP GROUP	**588.6**	**722.5**	**843.5**	**920.7**	**1,000.6**
Reserved PL	188.9	209.2	232.5	248.7	266.8
Reserved EX	133.4	180.5	228.8	260.4	295.5
Cropp PL	54.5	58.3	63.0	65.3	65.7
Cropp EX	36.1	47.1	51.5	55.1	61.6
House PL	55.4	57.3	62.2	64.9	65.0
House EX	24.8	32.3	37.5	40.7	45.7
Mohito PL	40.9	46.2	52.1	53.4	53.0
Mohito EX	25.0	36.6	42.4	45.7	50.7
Sinsay PL	17.9	32.7	43.5	48.6	53.2
Sinsay EX	2.2	11.0	16.2	21.2	31.4
Tallinder PL	0.0	0.0	0.0	4.1	0.0
Outlets	9.3	11.3	13.8	12.6	12.1

- In 2013-17, Reserved dominated in floorspace openings due to entry into new countries.
- Even though Sinsay was launched in 2013, it added more floorspace than the more mature Mohito.
- Cropp and House growths came from domestic and foreign expansion.

New regions fuel floorspace growth

FLOORSPACE GROWTH BY REGIONS



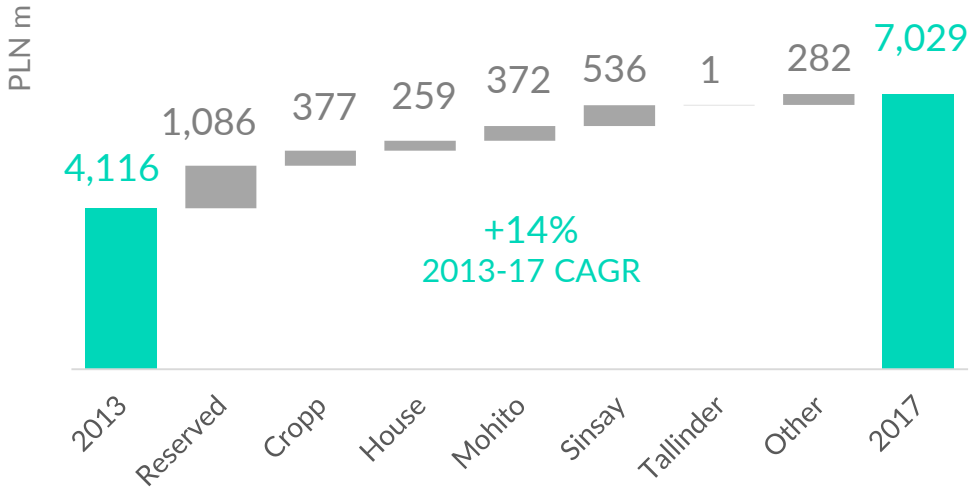
FLOORSPACE BY REGIONS

ths m2	2013	2014	2015	2016	2017
LPP GROUP	**588.6**	**722.5**	**843.5**	**920.7**	**1,000.6**
CEE	408.8	475.5	544.7	580.6	602.1
Poland	365.5	413.6	465.0	496.6	514.0
Other CEE	43.3	61.9	79.7	84.0	88.1
Baltic	27.2	36.4	38.2	39.5	43.0
SEE	10.2	22.6	34.1	48.3	53.1
CIS	142.4	180.3	193.9	207.0	247.3
WE	0.0	7.6	27.1	37.7	48.5
ME	0.0	0.0	5.5	7.6	6.6

- The CEE region dominated in new floorspace due to development of 5 mainstream brands in Poland.
- The CIS region was the second largest contributor as more high quality mall space was available.
- Even though Germany was launched in 2H14, Western Europe (together with UK flagship) stores added more m2 to SEE in 2013-17.

Younger brands fuel revenue growth

REVENUE GROWTH BY BRANDS



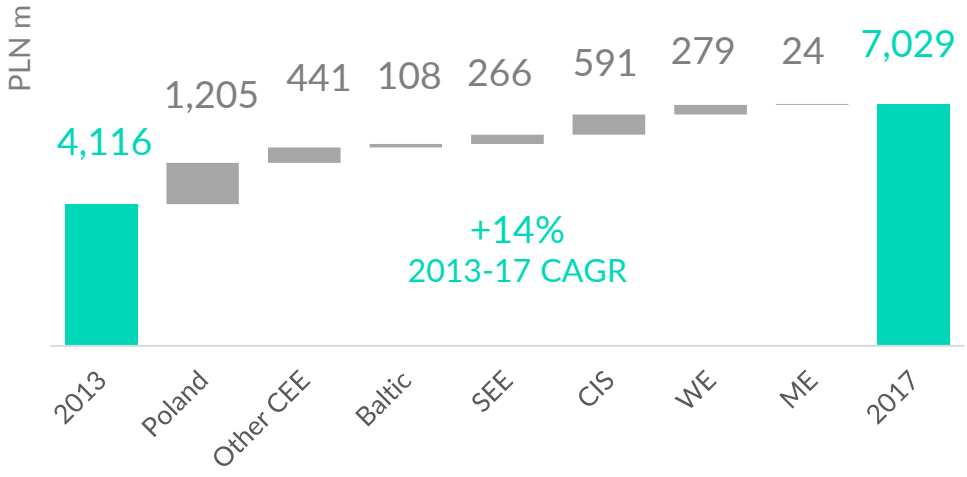
REVENUES BY BRANDS

PLN m	2013	2014	2015	2016	2017
LPP GROUP	**4,116.3**	**4,769.3**	**5,130.3**	**6,019.0**	**7,029.4**
Reserved PL	1,298.0	1,425.7	1,421.5	1,407.0	1,560.5
Reserved EX	775.8	885.6	1,012.3	1,285.9	1,599.0
Cropp PL	419.3	469.8	467.8	497.4	540.5
Cropp EX	267.7	301.2	322.0	417.5	523.4
House PL	409.0	454.9	469.7	517.3	524.3
House EX	137.3	178.7	203.4	249.9	281.0
Mohito PL	307.6	340.5	353.5	405.5	445.4
Mohito EX	148.8	182.4	233.0	331.3	383.1
Sinsay PL	70.7	186.0	262.0	346.1	430.4
Sinsay EX	3.3	38.6	66.9	114.8	179.8
Tallinder PL	0.0	0.0	0.0	12.1	1.1
Other	278.8	305.9	318.2	434.4	560.7

- Despite its scale in Poland, Reserved was the largest group revenue contributor in 2013-17 compared to other brands.
- Sinsay proved to be a successful concepts, growing domesticaly and abroad.
- Cropp and Mohito were similar revenue contributors.

New regions fuel revenue growth

REVENUE GROWTH BY REGIONS



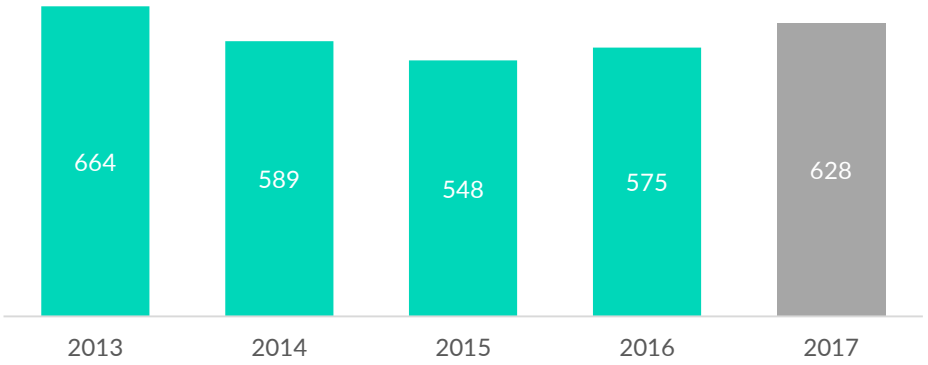
REVENUES BY REGIONS

PLN m	2013	2014	2015	2016	2017
LPP GROUP	**4,116.3**	**4,769.3**	**5,130.4**	**6,019.0**	**7,029.4**
CEE	2,926.5	3,413.6	3,633.8	4,038.6	4,572.1
Poland	2,701.2	3,079.6	3,227.7	3,511.4	3,906.0
Other CEE	225.3	333.9	406.1	528.7	666.1
Baltic	186.4	199.8	221.6	256.4	294.7
SEE	51.7	64.6	133.8	229.8	317.4
CIS	951.7	1,076.2	1,024.6	1,269.3	1,542.4
WE	0.0	15.2	93.9	193.6	278.6
ME	0.0	0.0	22.6	31.4	24.1

- The CEE dominated in terms of revenue contribution largely due to the core Polish market.
- Floorspace expansion in Russia translated into CIS being the second largest revenue addition.
- Expansion into SEE and WE is visible on our top-line. Since 2015 we develop in the Middle East.

Pick-up in sales/ m2 by brands

REVENUES/ M2 MONTHLY
(PLN)



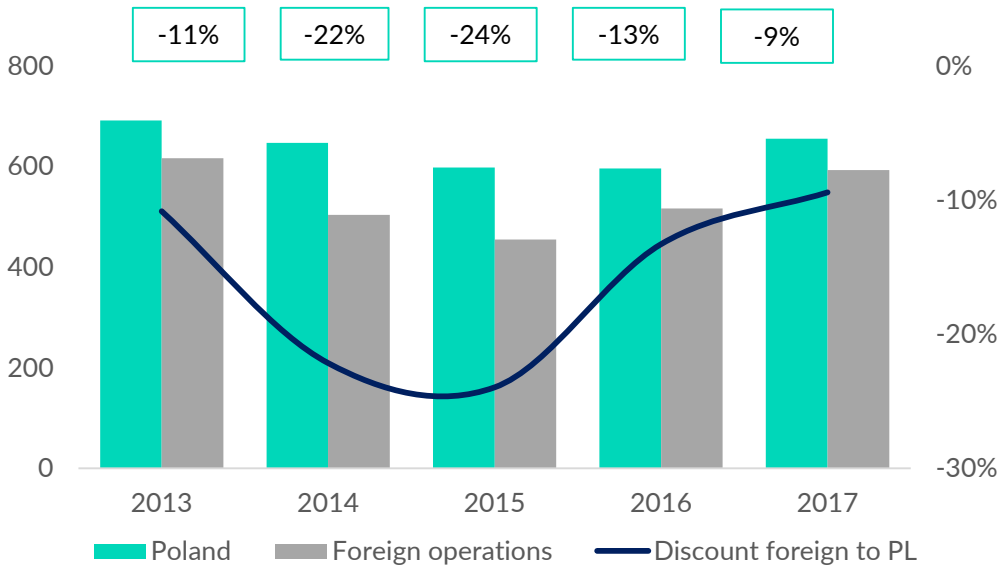
REVENUES/ M2 MONTHLY

PLN	2013	2014	2015	2016	2017
LPP GROUP	**664**	**589**	**548**	**575**	**628**
Reserved PL	644	599	536	494	521
Reserved EX	573	481	423	455	508
Cropp PL	720	684	624	648	690
Cropp EX	733	596	549	659	780
House PL	682	664	631	675	687
House EX	578	511	486	532	565
Mohito PL	777	647	601	640	708
Mohito EX	725	491	483	631	684
Sinsay PL	682	613	576	640	721
Sinsay EX	483	475	407	525	626
Tallinder PL	-	-	-	346	395

- All brands had higher revenues/ m2 in Poland than abroad, except for Cropp.
- Growth in foreign sales/ m2 in PLN in 2016-17 relates to changes in replenishment system at foreign stores and growing recognition abroad of the younger brands.
- In 2017, Sinsay had the highest revenues/ m2 in Poland while Cropp abroad.

… and by regions

REVENUES/ M2 MONTHLY
(PLN)



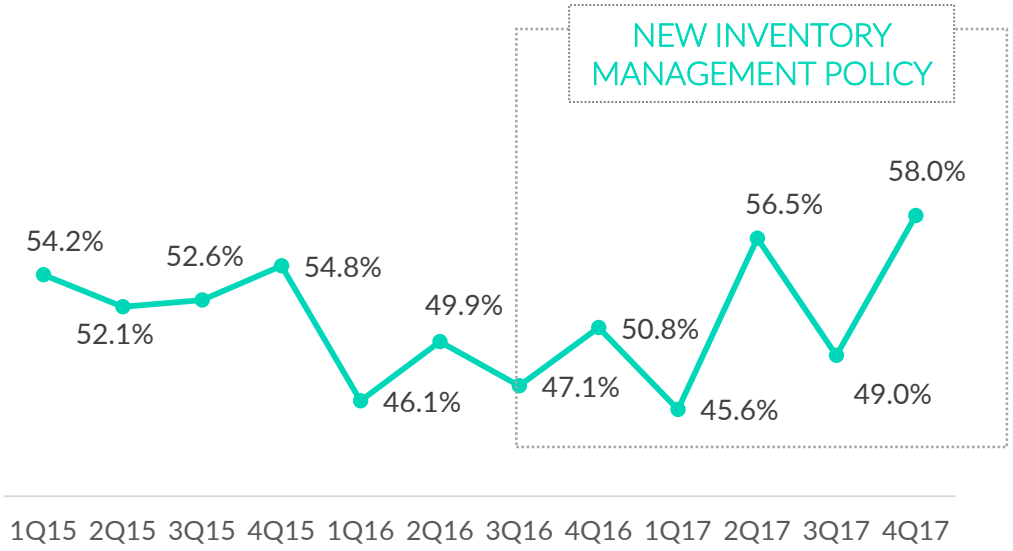
REVENUES/ M2 MONTHLY

PLN	2013	2014	2015	2016	2017
LPP GROUP	**664**	**589**	**548**	**575**	**628**
CEE	578	543	528	557	660
Poland	691	647	598	595	654
Other CEE	540	509	505	544	662
Baltic	604	530	493	560	625
SEE	467	457	382	444	461
CIS	663	508	451	514	587
WE	-	836	510	490	506

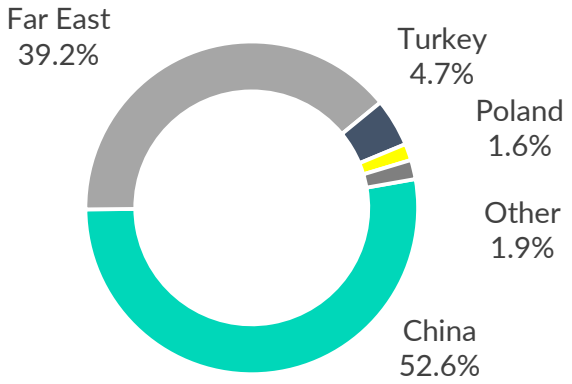
- Sales/ m2 in Poland were on average c.17% higher in 2013-17 than on foreign markets.
- Visible improvement in CIS, among others due to more favourable FX relations, from 2H16.
- Pick-up in sales/ m2 in WE in 1H17 due to stronger brand recognition.

Gross profit margin on the upward trend

QUARTERLY GROSS PROFIT MARGIN



2017 PURCHASES BY REGION

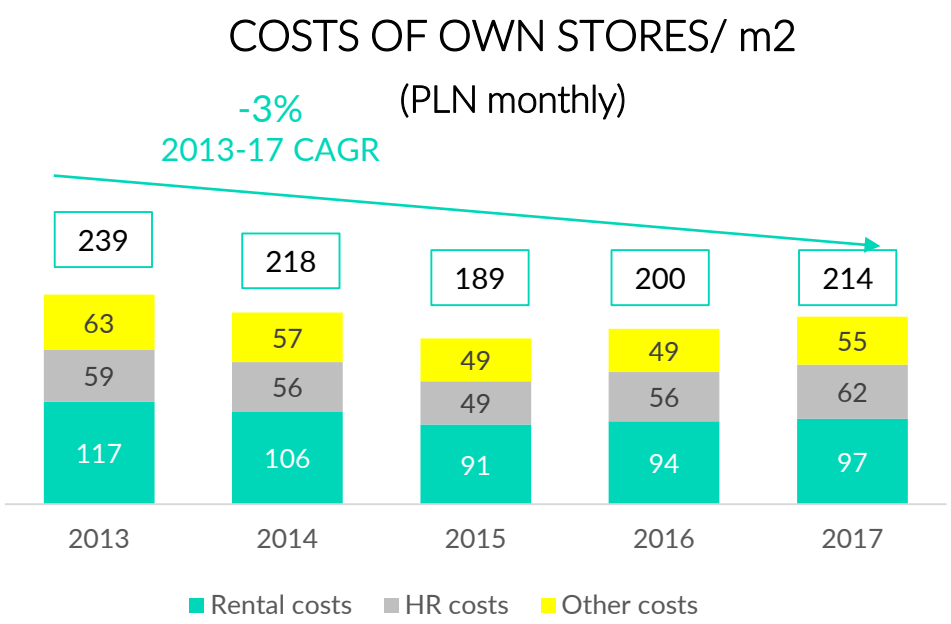


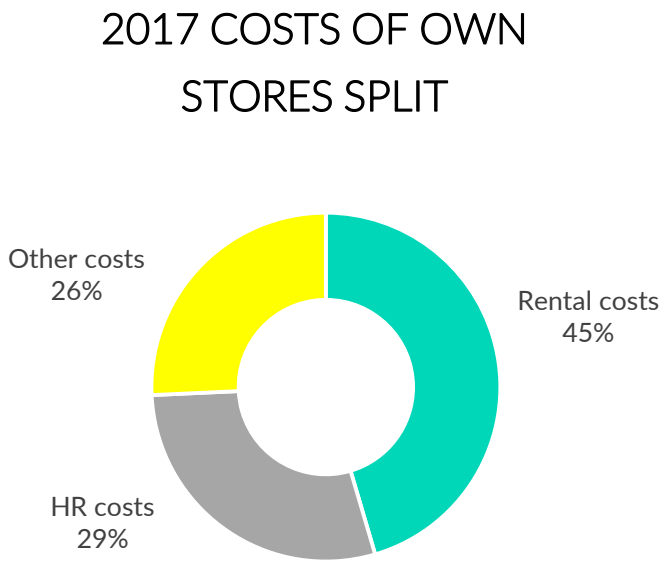
- The majority of purchases is conducted in the Far East and indexed to US$. Appreciation of zloty to US$ decreases costs of purchases from Asia.
- Due to new inventory management policy we are better prepared for weather changes in the season.
- Sizeable 4Q17 YoY gross profit margin pick-up, due to: (1) improved collections, (2) favourable FX trends, (3) new inventory management policy and (4) lack of one-off transaction, which lowered 4Q16 margin.

New inventory management policy

	FORMER	CURRENT
Change in customer preferences	Price as key purchase trigger. Possibility to sell goods from previous seasons.	Clients increasingly reluctant to accept old stock. Limited ability to liquidate unsold goods in outlets.
Promotions and sell-offs	Mid-season promotions depending on attractiveness of collections and competitors' actions.	Concentration on gross profit margin during the season but stronger post-season sell-offs.
Unsold goods	Unsold goods sent to post-season warehouse, while later once again shifted to stores.	Post-season inventory sold to third parties. Goods older than 12 months no longer in stores.
Outlets	Unsold collections from the past season sold in outlets in Poland and abroad.	Outlets only in selected locations in Poland, due to focus on brand image.

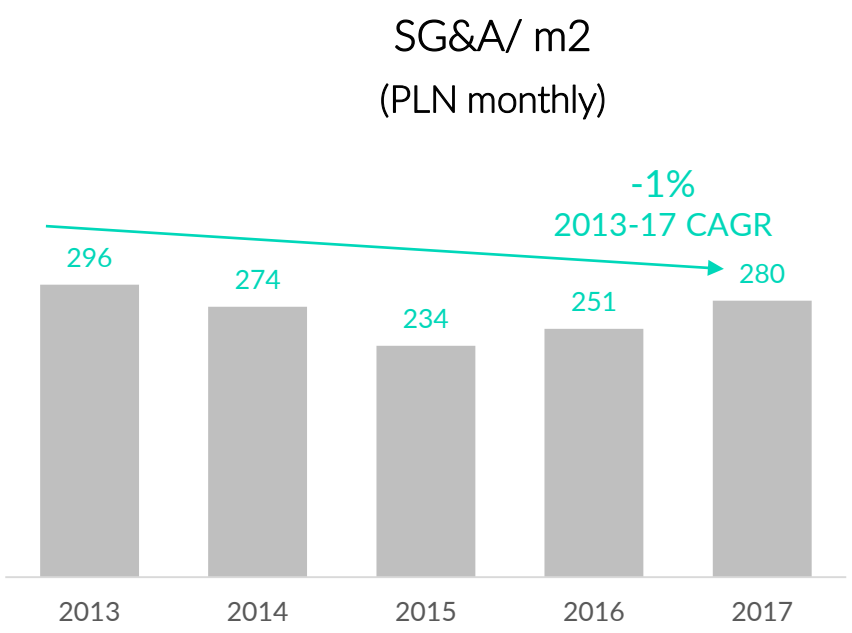
Costs of own stores depend on rentals

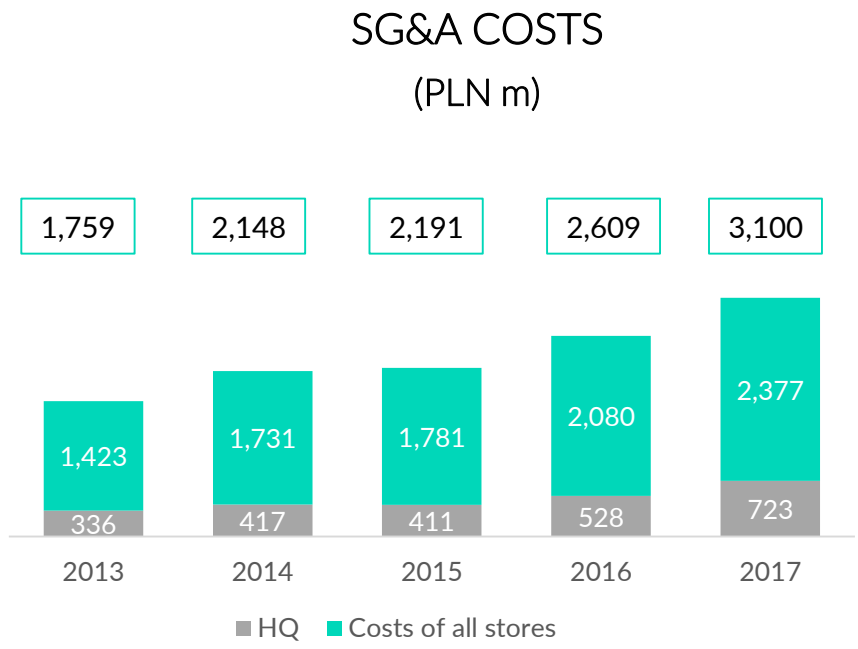




- Rental charges → successful rental renegotiations; level paid depends on EUR/PLN exchange rate.
- Personnel costs → continuous headcount optimisation in 2013-15, but pressure on salaries growth in 2016-17.
- Other costs of stores → depreciation constitutes half of other costs of stores; other costs: energy, provisions, security.

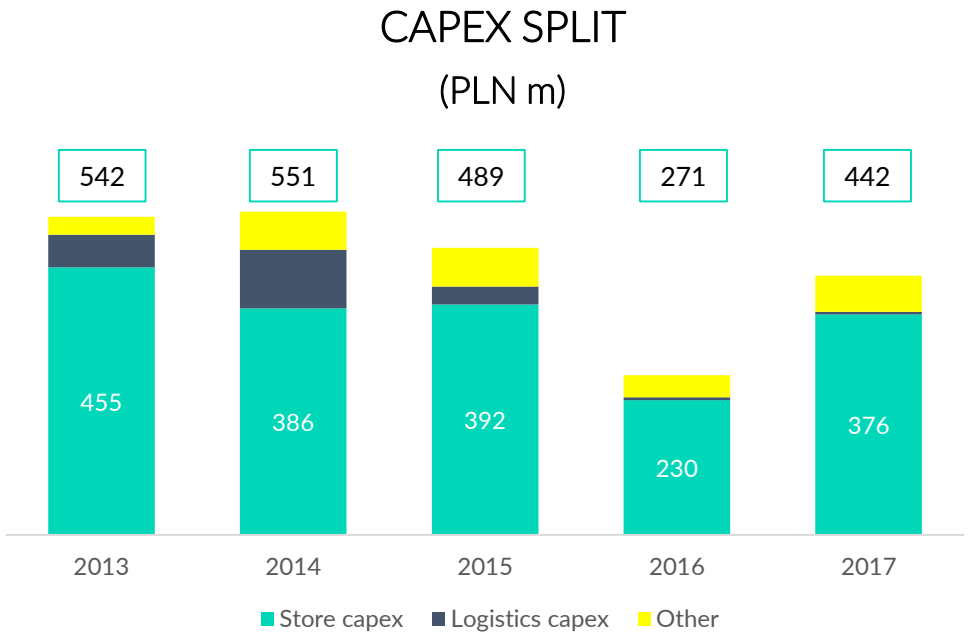
We control SG&A/ m2

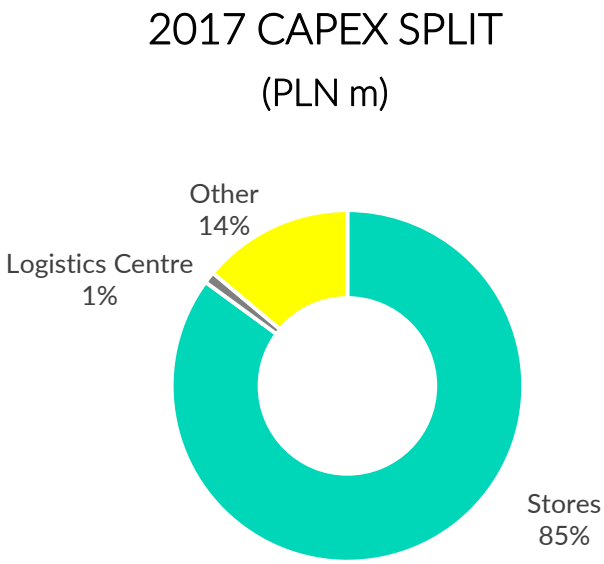




- Fall in SG&A/ m2 in 2012-15 → optimisation of costs of own stores and headquarters.
- Costs of stores → YoY growth in 2016-17 due to higher YoY floorspace, FX relations, HR costs and other costs of stores. Fall in costs of franchise stores in Poland, due to switch to company owned stores.
- HQ costs → YoY growth in 2016 and 2017 due to investments in product departments and e-commerce.
- Franchise stores in the Middle East and in Belarus do not affect SG&A costs.

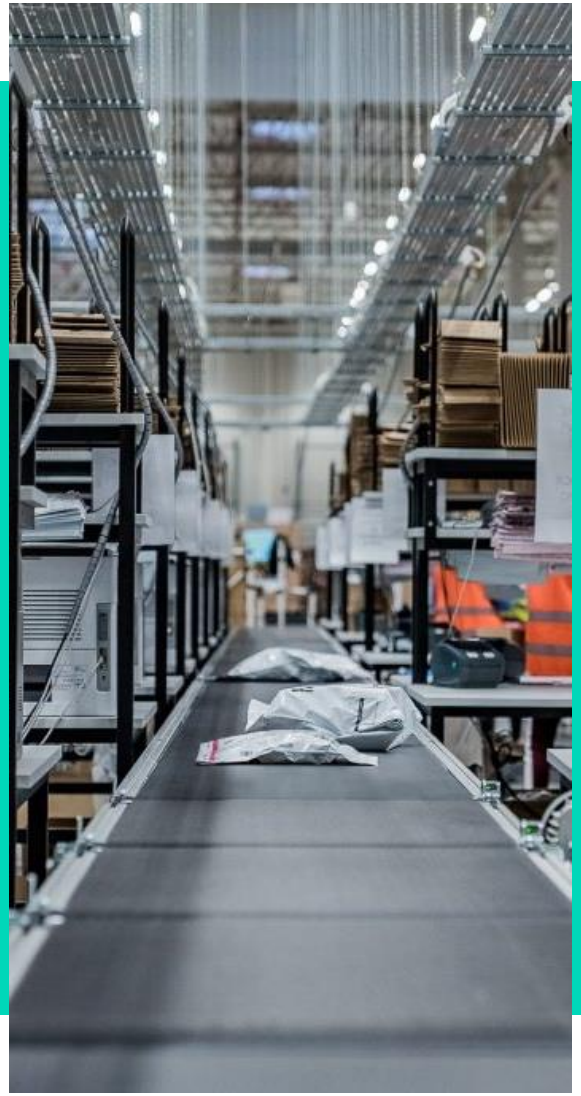
Store capex reduced by fit-outs





- Target capex of PLN 3,000/ m2 is lowered by fit-outs obtained domestically and abroad. However, the number may go up along with more WE openings. Maintenance capex constitutes c.10% of store outlays.
- Upgrade of Polish logistics center conducted in 2013-15 cost PLN 177m. It was launched in 2Q15.
- Modernisation of Gdansk headquarters finished in September 2015. We continue to expand our HQs to make room for future growth.

Successful launch of two new logistics centers



EXISTING		FUTURE
POLAND	**RUSSIA**	
Pruszcz Gdanski 66 ths m2 owned	Moscow stores 9.5 ths m2 rented	We are considering renting a warehouse in the UK.
Strykow 30 ths m2 (possibility of extending to 60 ths m2) rented	Moscow e-commerce 7 ths m2 rented	We are considering renting a warehouse in SEE.

Outsourcing of e-commerce logistics

LPP

WE AIM TO STREAMLINE E-COMMERCE OPERATIONS



CO-OPERATION DETAILS

Arvato Poland will be responsible for e-commerce logistics of 4 LPP brands: Reserved, House, Mohito and Sinsay.

Outsourcing of key elements (eg. warehouse, packaging, dispatch, returns) from a dedicated Arvato warehouse in the centre of Poland.

Agreement was signed in April 2017 and became operational in Autumn 2017.



WAREHOUSE DETAILS

After signing the contract, Arvato increased its warehouse space by 30 ths m2.

The agreement stipultaes the possibility to expand up to 60 ths m2 in the next 3 years.

Within the first year Arvato will increase headcount by c. 500 people.



OUR BENEFITS

Access to e-commerce logistics know-how.

A more convenient location of the logistics centre.

Faster delivery of products to customers.

Further investments in logistics and HQs

2 SOURCES OF CAPEX (EXCL. STORES)

FURTHER EXPANSION

PLN 720m
in 2018-20

OFFICES


GDANSK



CRACOW

LOGISTICS

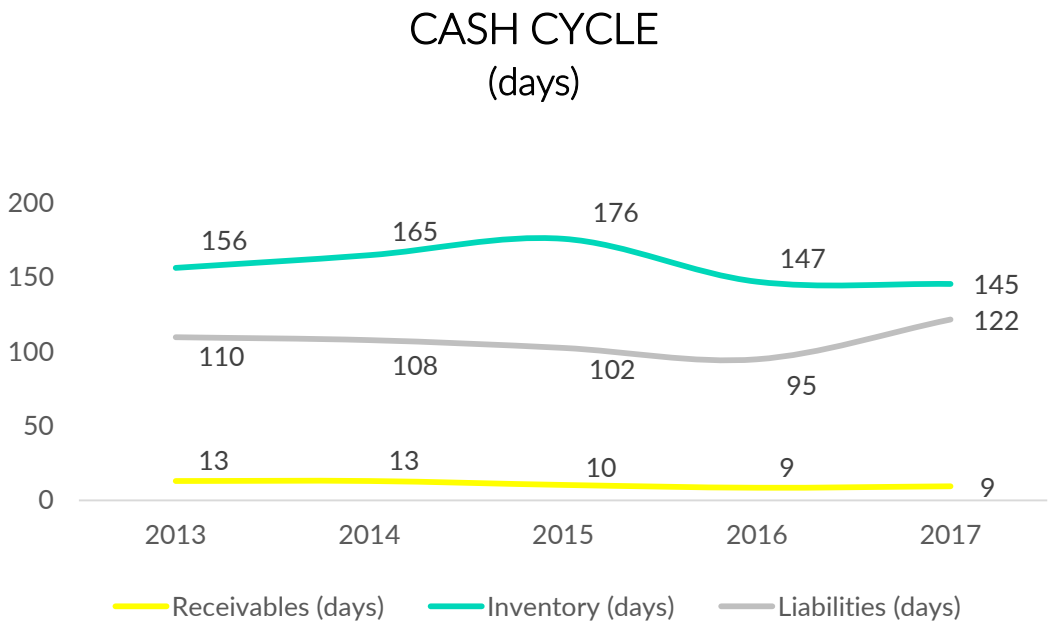

PRUSZCZ GDANSKI

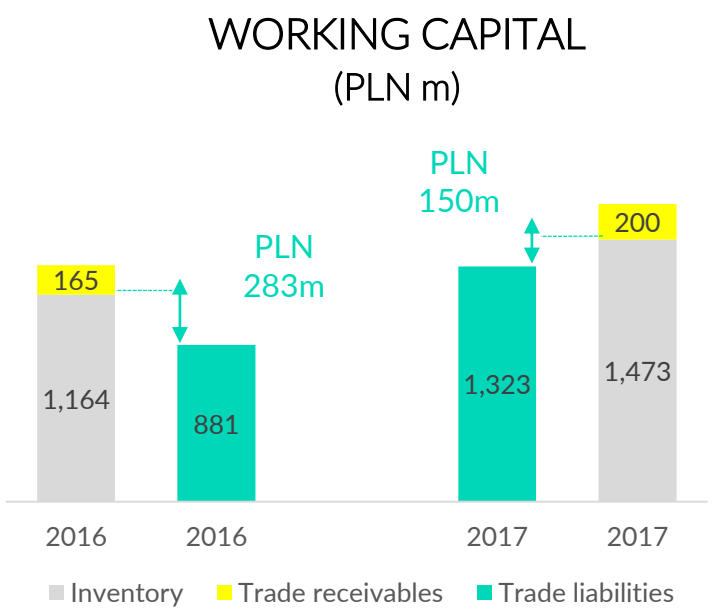

CENTRAL POLAND

Infrastructure spending plan for 2018-20

PLN m	2018	2019	2020	2018-2020
HQs	**96**	**90**	**140**	**326**
New offices, Gdansk Łakowa - Building 1	60	20		**80**
New offices, Gdansk Łakowa - Building 2		70		**70**
New offices, Gdansk Łakowa - Building 3			70	**70**
New offices, Gdansk Łakowa - Building 4			70	**70**
New offices in Cracow	36			**36**
Logistics	**32**	**166**	**200**	**398**
Expansion of Pruszcz Gdanski LC	32	16		**48**
New logistics centre in Central Poland		150	200	**350**
TOTAL	128	256	340	**724**

Freeing up working capital





- 26% YoY growth in inventory and 16% YoY growth in inventory/ m2 in 2017, despite strong sales due to higher YoY level of SS18 collections (collection has been sourced earlier) and dynamic growth in e-commerce.
- Higher YoY receivables due to a sizeable amount of debit and credit card transactions at the end of the year.
- PLN 360m additional liabilities due to extension of payment terms for suppliers at the end of 2017.
- Our aim is to match liabilities to the inventory level.

Optimisation of NWC

LPP

SUPPLY CHAIN FINANCE - SCF (SUPPLIER FINANCING PROGRAMME)

BENEFITS FOR LPP

- Extended payment periods on invoices for goods purchased.
- Net working capital and operating cash flows improvement.

BANKING PLATFORM

BENEFITS FOR SUPPLIERS

- Possibility to discount invoices for LPP before the payment deadline (low discount rate based on LPP's standing).
- No impact on credit ability.

PLN 360m positive effect at the end of 2017

Stages of the designing and supply process

1	Preparation of project models and sending documentation to suppliers	**STAGE 1:** Analysis of previous seasons and determination of demand	**STAGE 2:** Inspirational meeting	**STAGE 3:** Preparation of projects	**STAGE 4:** Projects sent to suppliers
2	Placing orders for models (price, dates, quality, quantity)	**STAGE 5:** Evaluation of designs prepared by suppliers	**STAGE 6:** MSM (meeting to decide on orders)	**STAGE 7:** Sending comments to suppliers	**STAGE 8:** Placing orders and negotiating terms of a contract
3	Co-ordination of the production process	**STAGE 9:** Production monitoring			
4	Shipping, display and sale of models	**STAGE 10:** Allocation, organization of delivery and transportation	**STAGE 11:** Visual merchandising	**STAGE 12:** Sale and customer service	**STAGE 13:** Replenishment
5	Introduction of sell-offs and withdrawal of unsold products	**STAGE 14:** Competition price survey	**STAGE 15:** Price adjustments in seasonal sell-offs	**STAGE 16:** Changing seasons and withdrawal of the end of line products	

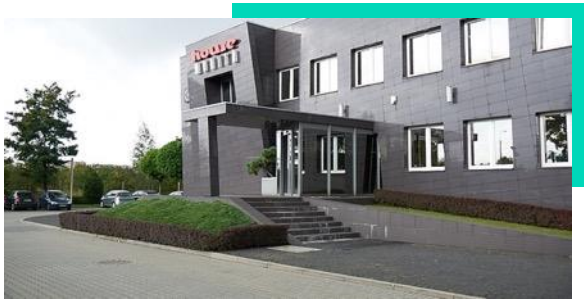
Strengthening the designing teams

DESIGN CENTRES IN TOP3 CITIES IN POLAND.



GDANSK

- LPP's largest design centre.
- The centre is responsible for Reserved, Cropp and Sinsay brands.



CRACOW

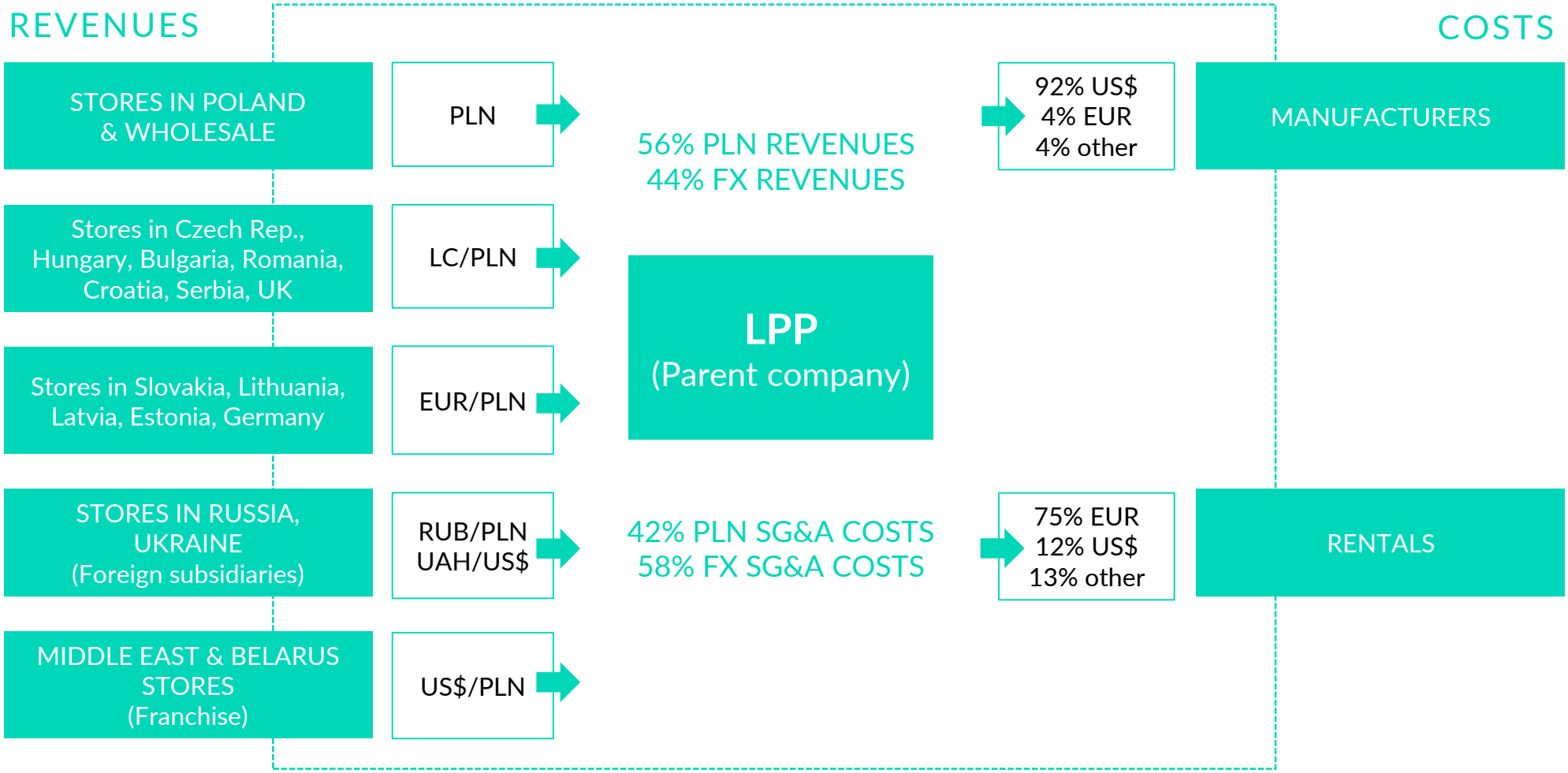
- Design centre for House and Mohito brands.
- Co-operation with designing schools.



WARSAW

- A new design centre responsible for Reserved.
- Upgraded Showroom of all brands.

Group FX exposure



Note: LC stands for local currency. Calculations based on 2017 numbers.

First hedging transactions

LPP

1 Stage

Lowering the level of indebtedness of subsidiaries towards the parent company (conversion of debt into equity of subsidiaries).

2 Stage

Increase in self-financing of subsidiaries along with their improved financial standing.

3 Stage

Hedging to minimise the level of FX gains/losses in the net financials line (below EBIT).

- Hedging of US$/PLN FX rate.
- Forwards with currency delivery.
- We hedge the period between booking the invoice from the supplier and invoice payment.
- We hedge 70% of payments.
- Hedged amount at US$ c.78m end 2017.

Hedging does not affect gross profit margin.

A successful earnings turnaround

PLN m	2013	2014	2015	2016	2017	YoY
Revenues	**4,116.3**	**4,769.3**	**5,130.4**	**6,019.0**	**7,029.4**	**16.8%**
Gross profit on sales	2,409.2	2,792.5	2,742.8	2,933.8	3,720.0	26.8%
Gross profit margin	58.5%	58.6%	53.5%	48.7%	52.9%	4.2 p.p.
SG&A costs	1,759.2	2,148.3	2,191.7	2,608.8	3,099.9	18.8%
Other operating line	-34.3	-35.0	-48.5	-98.6	-41.6	
EBIT	**615.6**	**609.1**	**502.7**	**226.4**	**578.4**	**155.5%**
EBIT margin	15.0%	12.8%	9.8%	3.8%	8.2%	4.4 p.p.
Net financial activity	-91.8	-149.2	-88.3	-32.3	-14.8	
Pre-tax profit	523.9	459.9	414.4	194.1	563.7	190.4%
Tax	91.0	-22.0	63.0	19.3	122.9	
Minorities	1.9	2.3	0.0	0.0	0.1	
Net income	**431.0**	**479.5**	**351.3**	**174.8**	**440.9**	**152.2%**
Net income margin	10.5%	10.1%	6.8%	2.9%	6.3%	3.4 p.p.

Balance sheet increasingly strong

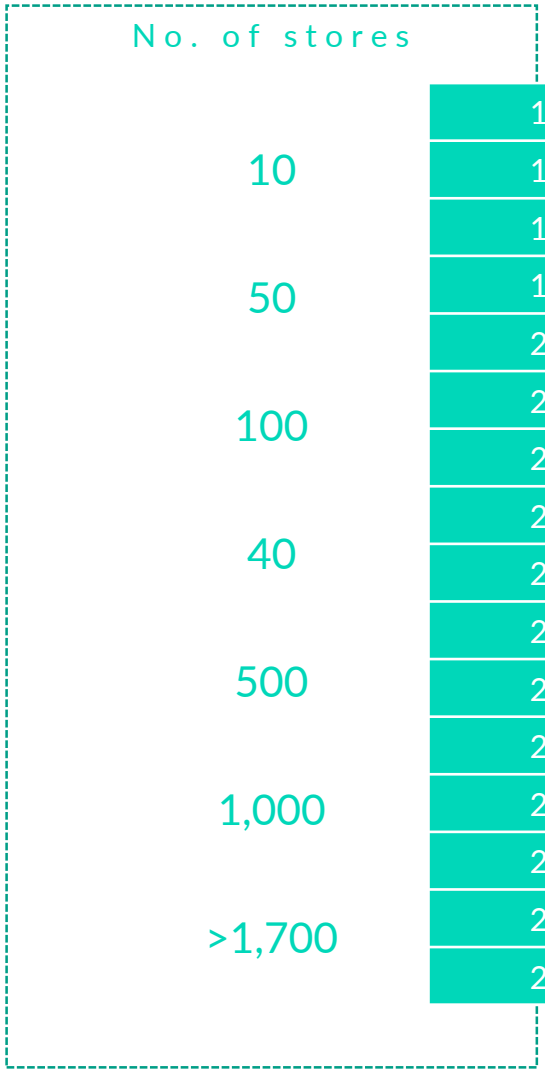
PLN m	31.12.2013	31.12.2014	31.12.2015	31.12.2016	31.12.2017
Non-current assets	**1,231.9**	**1,516.4**	**1,797.0**	**1,838.7**	**1,919.7**
fixed assets	281.2	315.9	324.4	1,291.3	351.2
intangibles (inc. goodwill)	896.8	1,038.8	1,258.8	330.6	1 347.6
Current assets	**1,259.7**	**1,417.3**	**1,768.2**	**1,839.3**	**2,287.1**
inventory	805.0	979.3	1,319.7	1,164.1	1,472.5
trade receivables	163.3	176.9	115.1	165.4	199.6
cash and equivalents	149.4	183.5	224.4	365.8	514.8
Total assets	**2,491.6**	**2,933.7**	**3,565.2**	**3,677.9**	**4,206.8**
Equity	**1,496.5**	**1,638.4**	**1,889.7**	**2,134.7**	**2,443.4**
Long-term liabilities	**192.3**	**210.7**	**344.1**	**267.3**	**233.1**
interest bearing debt	184.3	204.5	284.3	195.0	141.8
Short-term liabilities	**802.7**	**1,084.6**	**1,331.3**	**1,275.9**	**1,530.2**
trade liabilities	547.6	618.6	721.4	881.1	1,322.6
interest bearing debt	173.6	378.3	561.1	315.1	56.5
Total liabilities	**2,491.6**	**2,933.7**	**3,565.2**	**3,677.9**	**4,206.8**

Record high operating CF in 2016 and 2017

LPP

PLN m	2013	2014	2015	2016	2017	YoY
Pre-tax profit	**523.9**	**459.9**	**414.4**	**194.1**	**563.7**	**190.4%**
D&A	148.2	193.7	223.6	267.4	293.4	9.7%
NWC	-95.7	-127.3	-223.4	255.9	101.3	-60.4%
Operating CF	**508.8**	**492.9**	**253.9**	**718.2**	**893.2**	**24.4%**
Capex	-541.9	-550.5	-490.6	-271.8	-441.6	62.5%
Investing CF	**-518.2**	**-476.0**	**-415.5**	**-181.4**	**-383.9**	**111.7%**
Interest bearing debt	167.4	204.0	277.7	-328.7	-309.0	-6.0%
Dividends	-154.0	-169.6	-58.0	-59.9	-65.5	9.3%
Interest	-12.5	-14.8	-18.5	-21.6	-11.6	-46.1%
Financing CF	**-0.6**	**17.2**	**201.2**	**-393.8**	**-359.9**	**-8.6%**
Total CF	**-10.0**	**34.2**	**39.5**	**143.0**	**149.4**	**4.5%**

LPP's success story



CORPORATE MILESTONES

1991	Creation of Mistral company by Marek Piechocki and Jerzy Lubianiec
1995	Mistral transformed into LPP
1997	Opening offices in Shanghai
1998	Launch of Reserved – first retail store opened
2001	IPO on the Warsaw Stock Exchange
2002	Start of international expansion (Russia, Czech Rep., Estonia, Hungary, Latvia)
2003	Further international expansion (Lithuania, Ukraine, Slovakia)
2004	Launch of Cropp brand
2008	Acquisition of Artman, owner of the House and Mohito brands
2008	Launch of the modern logistics center; expansion into Romania and Bulgaria
2010	Payment of first dividend
2013	Launch of Sinsay brand
2014	New countries: Germany, Croatia; entry into MSCI Poland and WIG20 indices
2015	Middle East entry: Egypt, Kuwait, Qatar, Saudi Arabia
2016	Launch of Tallinder brand and decision to abandon it; entry into UAE
2017	Entry into Belarus, Serbia and the UK; closing down the Tallinder brand

Corporate governance

LPP

appoints

appoints

GENERAL SHAREHOLDER MEETING

- appoints Supervisory Board members
- approves annual financial statements
- grants discharge to the Management and Supervisory Board members

SUPERVISORY BOARD

- 5 to 6 members
- appointed for a 5 year term
- appoints Management Board

AUDIT COMMITTEE

- review of the financial statements
- assessment of the financial standing
- control and assessment of the internal audit reports
- evaluation of development strategy

MANAGEMENT BOARD

- 2 to 6 members
- appointed for a 5 year term
- CEO can represent the company by himself
- additionally two management board members and management board member and legal representative can sign binding agreements.

Founders actively involved in the business

LPP

LPP's FOUNDERS

MAREK PIECHOCKI
CHIEF EXECUTIVE OFFICER

- Present in the retail business since 1989.
- In 1991 together with Jerzy Lubianiec, founded a Mistral company, activities of which in 1995 were transferred into LPP.
- CEO of LPP since 2000.
- The Best-Performing CEO according to Harvard Business Review (2013).

JERZY LUBIANIEC
CHAIRMAN of SUPERVISORY BOARD

- 1991 - 1997 ran Mistral company as a sole trader (LPP's predecessor).
- 1995 – 2000 CEO of LPP.
- Since 2000 Chairman of the Supervisory Board of LPP.

Management with long-term vision

MAREK PIECHOCKI (57)
CEO & FOUNDER

- Since 1989 in the retail business.
- Founded LPP in 1991. CEO of LPP since 2000.
- Responsible for LPP's strategy and development of all brands.

PRZEMYSŁAW LUTKIEWICZ (46)
CFO

- At LPP since 2008.
- Since 2015 LPP's CFO. Initially Head of Controlling.
- 1995-2007 manager at First Data Poland.

JACEK KUJAWA (43)
BOARD MEMBER

- At LPP since 2004.
- Responsible for logistics, administration and IT.
- 1999-2004 at Wirtualna Polska.

SŁAWOMIR ŁOBODA (53)
BOARD MEMBER

- Co-operated with LPP since 1997.
- Appointed: 14 October 2015.
- Responsible for legal issues, new retail space and store development.

Co-founder sits on the Supervisory Board

JERZY LUBIANIEC (57)
CHAIRMAN

- Since 2000 Chairman of the Supervisory Board of LPP.
- 1995 – 2000 CEO of LPP. 1991 – 1997 ran Mistral company (LPP's predecessor).

WOJCIECH OLEJNICZAK (62)
Deputy Chairman

- Since 1999 member of the Supervisory Board of LPP.
- 1996 – 1997 LPP Management Board member. 1991 – 1996 partner at Mistral company (LPP's predecessor).

PIOTR PIECHOCKI (30)
Member

- Graduated from Warsaw School of Economics and IE Business School in Madrid.
- 2012-2017 manager at LPP, responsible for creation and development of e-commerce.

MAGDALENA SEKUŁA (42)
Independent member

- Graduated from Gdansk University and University of Toulouse and Orleans.
- CEO of Gdansk-Sopot sports hall. Earlier, among other, responsible for promotional and informational actions related to the sports hall.

ANTONI TYMIŃSKI (67)
Independent member

- Holds a PHD in accounting. 2008-2009 member of LPP's supervisory board.
- +16 years as a consultant and auditor in top advisory and auditing companies (Deloitte, PWC). A certified auditor and member of Polish Audit Chamber.

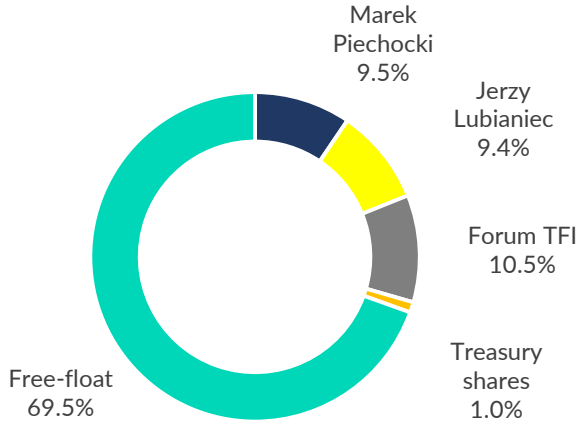
MIŁOSZ WIŚNIEWSKI (53)
Independent member

- An MBA graduate (Paris). Since 2016 CEO of Robod SA.
- 2012-15 CFO of Boryszew SA. Earlier CFO and CEE & SEE Director at CPW.

Company controlled by its founders

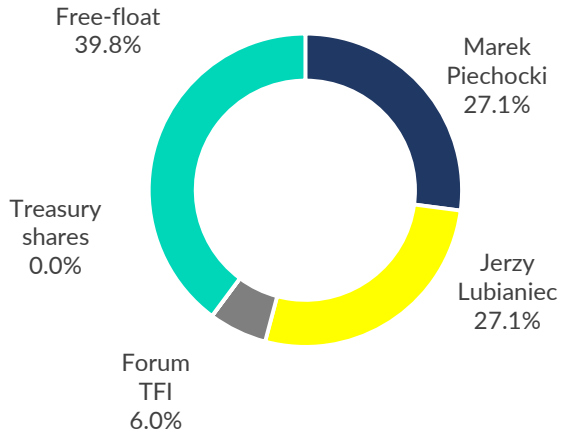
SHAREHOLDERS BY EQUITY
(31.12.2017)

total no of shares: 1,852,423



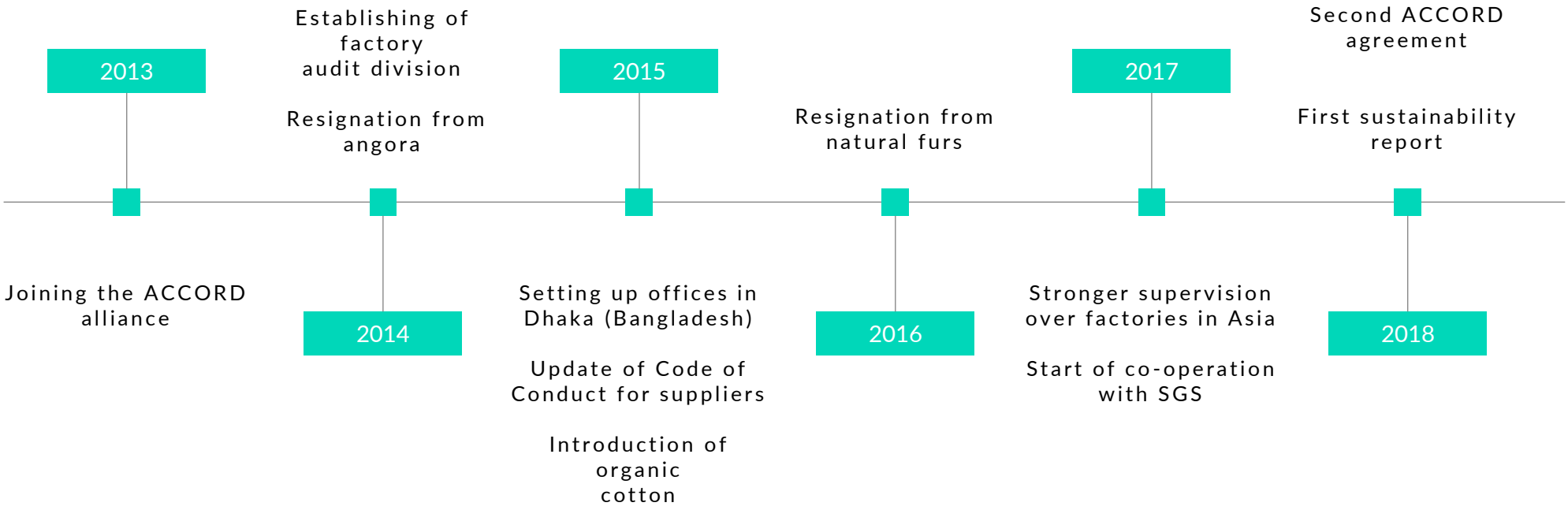
SHAREHOLDERS BY VOTES
(31.12.2017)

total no of votes: 3,233,437



- The shares held by the founders are privileged 1 to 5 in votes.
- The Forum TFI manages Forum 64 FIZ related to Jerzy Lubianiec and Forum 65 FIZ related to Marek Piechocki.
- Effectively, the founders control 29.5% of equity and 60.2% of votes.
- Treasury shares (18,978) are valued at PLN 2,280 and partially used for the purpose of stock option plan.
- All possessed treasury shares were purchased in 2008, between 13th March and 4th June.

First integrated report to be published in May



Safety in Asian factories in our goal

PLN 16m

80 factories

21 people



PLN 16m outlays for audits of working conditions in Bangladesh factories:

- 2/3 of the amount for working conditions audit was spent for on-site inspections and audits of working conditions in factories,
- the remaining amount comprises of membership fees for ACCORD and Rana Plaza Trust Fund.

80 factories under ACCORD control:

- 90% of factories had their electrical installations modernised or changed,
- 75% of factories ended up with additional anti-fire alarms and installations,
- 60% of factories had their constructions strengthened. In many cases the production was transferred to other venues.

21 people full-time employed in Bangladesh offices and Audit Department in HQs.

LPP's Code of Conduct puts safety in factories first. Suppliers have the obligation to provide a decent pay, max 48 hours of work per week and paid overtime. They are banned to hire children < 15 years old.

A Polish socially responsible company

FAMILY-RUN COMPANY

- Created and managed by Polish entrepreneurs–partners from student years
- A family capital and determination to preserve *status quo*
- Stability and long-term vision matched with large investments is at the heart of our development instead of profit consumption
- The well-being of the company and its people is more important than short-term profits



POLISH COMPANY

- Our roots are in Poland
- All strategic decisions are taken in Poland
- All our concepts are designed in Poland
- Our brand concepts have been made in Poland
- We pay all due taxes in Poland
- Our key shareholders live in Poland

SOCIALLY RESPONSIBLE COMPANY

- Ethical
- Responsible production
- Caring for workplaces
  Supporting its employees and partners
- Environmentally friendly

Changes in information policy

2018

- From 2018, no more monthly trading updates. Our European competitors do not share such data.
- Instead, quarterly data with preliminary financial results (estimated sales, margin and EBIT) to be published on the first business day after the end of the quarter.

2019

From **2019**, **IFRS 16** enters into force and with it a change in the presentation of leases of retail space.

3 areas of changes:

- balance sheet recognition of a liability equal to discounted rental payments (lease obligations),
- balance sheet recognition of asset showing the right to use the floorspace rented,
- changes within cost structure: lower rentals but pick-up in depreciation charge.

As a result, higher EBITDA and financial charges (incl. FX differences).

IFRS16 – financial statements impact

BALANCE SHEET

- Assets higher by some PLN 5 bn.
- Liabilities higher by some PLN 5 bn.

+ assets / +liabilities

INCOME STATEMENT

- Above EBIT: PLN 0.8 bn depreciation pick-up, but lack of PLN 1 bn rentals.
- Below EBIT: interest costs on liability (front-loading, higher charge in the early years).

++ EBITDA /+EBIT

CASH FLOW STATEMENT

- Operating cash flow: growth due to higher depreciation charge.
- Financing cash flow: higher costs, leasing payments.

+ operating cash flows

APPLICATION: 2019 BALANCE OF OPENING AND LATER QUARTERS.

Presence in key indices

POLISH INDICES

WIG20

- The most important index of the WSE
- Member since March 2014
- c. 5.6% LPP's weight
- The sole clothing retailer in the index

WIG30

- WIG30 index of the 30 most liquid companies on the WSE
- WIG30 index was launched September 2013
- LPP member since index inception
- c. 5.0% LPP's weight

WIG

- The broadest index of the WSE
- c. 3.7% LPP's weight
- The largest clothing retailer in the index

INTERNATIONAL INDICES

MSCI POLAND

- MSCI Poland is a key index for international institutions investing in Poland
- LPP member since August 2014

FTSE

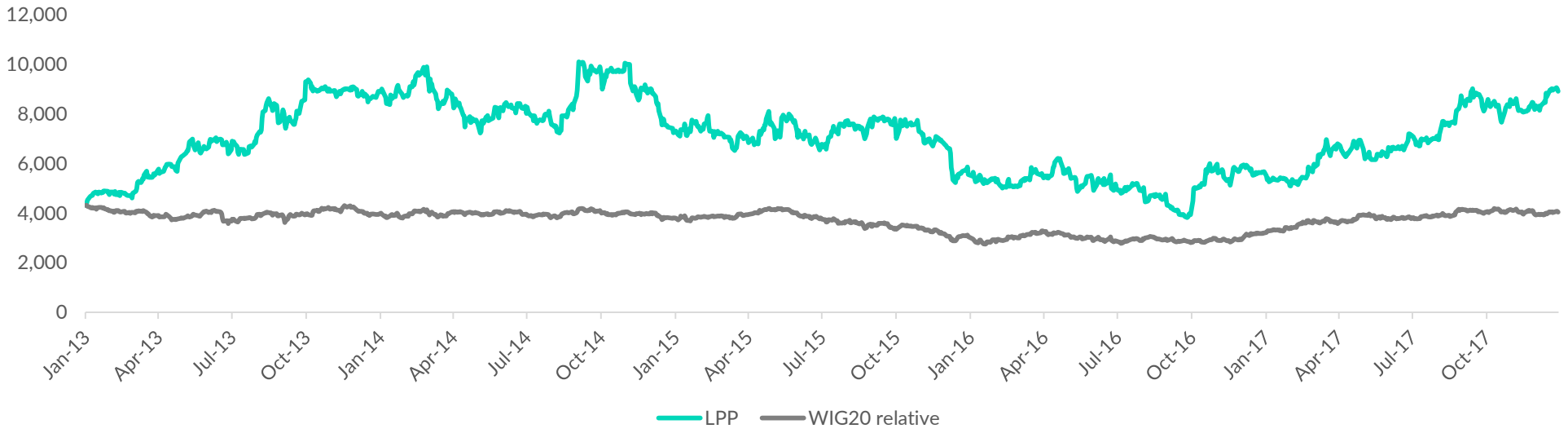
- FTSE indices are tracked by ETFs
- LPP member of three FTSE indices: All-World Index, Emerging Index, Global Style Index

CECE

- CECE Index is created by the Vienna Stock Exchange. It comprises of companies from Poland, Czech Republic and Hungary
- LPP re-entered the index mid-September 2017

Strong medium-term market outperformer

LPP'S SHARE PRICE RELATIVE TO WIG 20 INDEX



TICKERS	
WSE	LPP
Bloomberg	LPP PW
Reuters	LPPP.WA

PERFORMANCE	
1Y	+57%
3Y	+23%
5Y	+96%

MARKET DATA	
Price (31.12.17)	PLN 8,910
Min 1Y	PLN 5,090
Max 1Y	PLN 9,063

Broad analytical coverage

LPP

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BDM	Adrian Górniak	gorniak@bdm.pl
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UBS	Michał Potyra	michal.potyra@ubs.com
Wood & Co.	Łukasz Wachełko	lukasz.wachelko@wood.com

Investor relations' calendar

KEY DATES

17.05.2018	1Q18 results publication
02.07.2018	2Q18 trading update
05.09.2018	2Q18 numbers announcement
01.10.2018	3Q18 trading update
20.11.2018	3Q18 results publication
02.01.2019	4Q18 trading update

IR CONTACT

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IR Manager

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LPP.investor.relations@lppsa.com

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80-769 Gdansk, POLAND

Glossary

Poland	Retail sales in Poland and other sales of LPP SA.
CEE	Region including: Czech Republic, Slovakia, Hungary and Poland unless otherwise stated.
Baltic	Region including: Lithuania, Latvia, Estonia.
CIS	Region including: Russia, Ukraine, from 2017 Belarus and from 2018 also Kazakhstan.
SEE	Region including: Bulgaria, Romania, Croatia, from 2017 Serbia and from 2018 Slovenia.
WE	Region including Germany and from 2017 also the UK.
ME	Region including: Egypt, Qatar, Kuwait and UAE. In 2017 the region included Saudi Arabia while in 2018 is encompasses Israel.
Europe	Region including: CEE, Baltic, SEE and WE.
EBITDA	EBIT + depreciation from cash flow statement.
Average monthly revenues/m2	Revenues of segment or brand / average working total floorspace / 12.
Average monthly costs of own stores/m2	Costs of own stores / average working floorspace of own stores (ie. excluding all franchise stores which represent c. 5.5% of the working floorspace) / 12.
Average monthly SG&A PLN/m2	SG&A costs/ average working total floorspace excluding stores located in ME and Belarus / 12.
Inventory/ m2	End of period group inventory/ total floorspace without franchise stores in ME and Belarus.
Inventory days	Average inventory/ group COGS * 365 days.
Receivables days	Average receivables/ group revenues * 365 days.
Liabilities days	Average short-term liabilities/ group COGS * 365 days.
Cash conversion cycle	Inventory days + receivables days – liabilities days.

CONTACT DETAILS

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RESERVED CROPP house MOHITO sinsay